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Discount Store News®

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SECOND CLASS

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Wal-Mart's California Laboratory

By Don Longo
An Exclusive DSN Report

PALMDALE, Calif. — Wal-Mart has been quietly testing a number of new merchandising techniques in a unique, super-large store here on the southern edge of the Mohave Desert.

Opened in August, this 143,000-square-foot store is the largest general merchandise-only Wal-Mart in the country. The chain's hypermarket and supercenter units, which range in size from 120,000 square feet to 220,000 square feet, devote much of their floor space to supermarket operations. Wal-Mart's largest current standard, general merchandise store is its 110,000-square-foot prototype.

The new store, in this small, but growing city, located about 60 miles northeast of Los Angeles, is a major departure from what has become known as Wal-Mart's 110 format. The 110 format, with its wider aisles, blue-and-gray color scheme, and open, airy feeling, has been cited by industry analysts as the vital cog in Wal-Mart's expansion into more densely-populated suburban markets. New York-based investment analysts at Goldman Sachs estimate that by year-end, about 285 stores, or 16% of Wal-Mart's store base, will conform to the 110 format.

In contrast, the massive new Palmdale store, with its crowded aisles, numerous merchandise stack-outs, and

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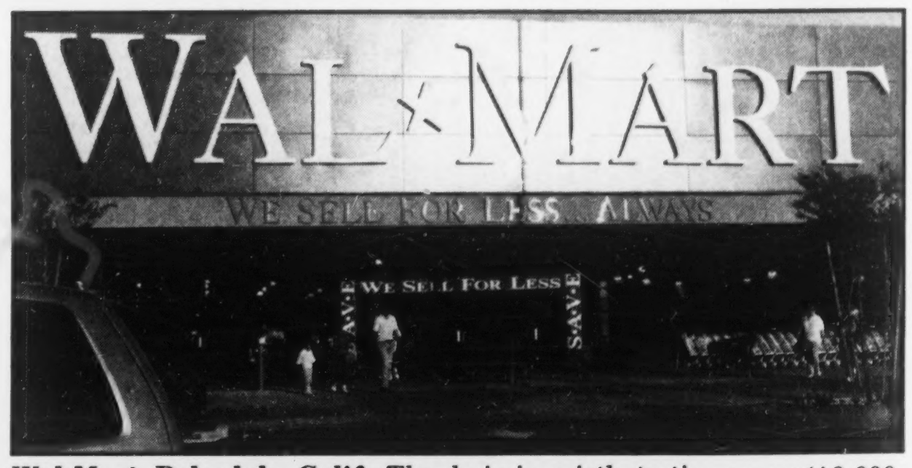

Wal-Mart, Palmdale, Calif.: *The chain is quietly testing a new 143,000-sq.-ft. format in a state where major expansion is underway.* (DSN photo)

Projected Holiday Spending: 1991 vs. 1990

% of Consumers Who Will Spend Less Than in Previous Year			% of Consumers Who Will Spend More Than in Previous Year		
	1991	1990		1991	1990
Aug.	40%	34%	Aug.	30%	32%
Sept.	44	36	Sept.	22	34
Oct.	47	44	Oct.	24	28

Source: Leo J. Shapiro & Associates

A Christmas Not Even The Grinch Would Love

By Pete Hisey
Nationwide DSN Report

It looks like the economy just mugged Santa Claus. And for retailers who suffered through a nail-biting holiday season last year, that is truly bad news.

ding to two independent surveys conducted in , Americans plan to spend less this Christ- than they did last year, with overall house- ng expected to dip 3.6%.

to a telephone survey of 500 households y Lincoln, Neb.-based Fairfield Research, consumers plan to spend more than they , and 25% said they will spend less. Total ift spending will dip from $772 last year to ar, a 3.6% drop.

apiro and Associates, a Chicago-based mar- firm, found an even grimmer set of house- rding to Shapiro chief executive officer enbaum, nearly half (47%) of shoppers said

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Sam's Layoffs, Hiring Freeze Raise Questions in Industry

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has laid off 1,200 people in its Sam's Club operation and imposed a hiring freeze there, but the discounter's explanation for the moves has failed to answer questions circulating through the retail industry.

Wal-Mart and Sam's Club representatives describe the layoffs as a normal payroll adjustment that wasn't a specific response to the weak economy. The layoffs, they said, were designed to bring the wholesale club's costs in line with expenses. They declined further discussion.

Don Shinkle, corporate affairs spokesman, acknowledged that about two dozen jobs were cut at Sam's Club headquarters, with the other positions spread among the 192 clubs. Also, 12 Sam's managers were fired, reported the *Arkansas Democrat*, a Little Rock, Ark., daily newspaper.

Other sources said there was a hiring freeze at Sam's Club, but it was expected to be lifted in early November so that the stores could hire temporary seasonal employees.

Wal-Mart, recognizing the layoffs' blow to it's image as the nation's most successful retailer, has played up the 24,000 jobs its added corporatewide since Jan. 1, bringing total employment to 367,000.

But this growth only made the layoffs look worse, observers said. It raised questions about Wal-Mart's reputed controls, and why the job growth couldn't have been moderated so layoffs would

(Continued on page 31)

Canadian Tire Pushes into '90s

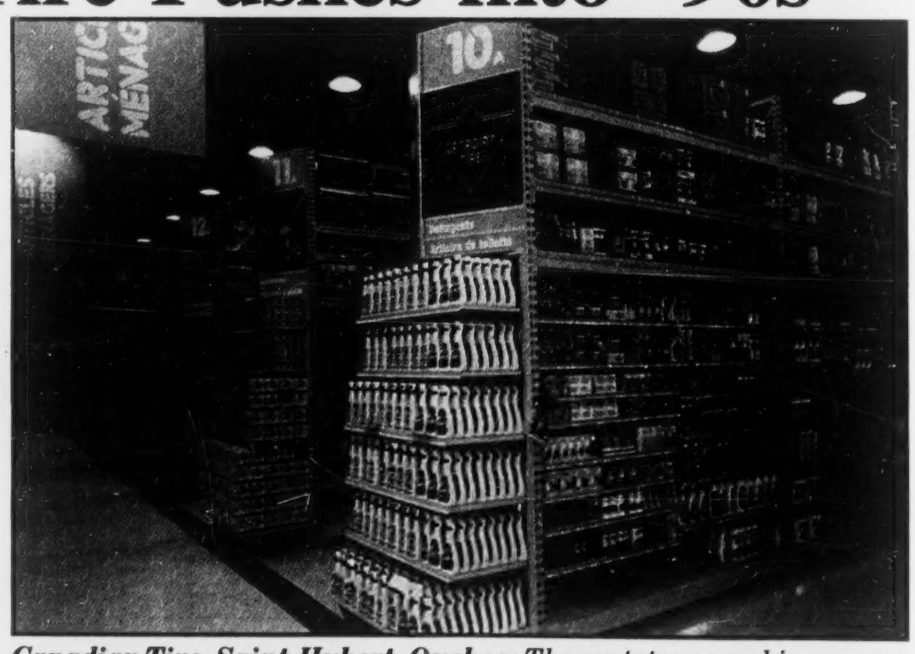
Prez Groussman Propels Company Into Next Century

By Richard Halverson

TORONTO — Canadian Tire president and ceo Dean Groussman has been burning the candle at both ends as he works to accelerate his firm's leap into the next century.

In 1991, Canada's dominant home and automotives retailer took several major steps:

- The opening Oct. 9 of a 38,000-square-foot prototype store outside Montreal utilizing warehouse type displays;
- The launching of Auto Source, a new warehouse auto chain in the United States that opened two 47,000-square-foot units in Indianapolis over the summer and will open a third in Dayton, Ohio, Nov. 15;
- Finetuning a new, automated, 1.2 million-square-foot DC intended to cut labor cuts by 30% and increase merchandise throughout by 55%;
- The planned increase in retail selling space by 40%, by boosting the ratio of selling space to storage to 80%/20% from 40%/60%;
- Testing of The Works, a 5,000-square-foot "home enhancement" boutique built within existing stores that adds 2,300 more home center skus.



Canadian Tire, Saint-Hubert, Quebec: *The prototype combines warehouse ambience with traditional shelving.* (DSN photo)

In 1990, CanTire's sales rose to $3.06 billion (Canadian) from $2.96 billion. Operating ir-

(Continued on page 27)

MARKETWATCH

NHMA Cancels Its Second Show

ROSEMONT, Ill. — The National Housewares Manufacturers Association has cancelled its "second show" after membership reiterated their disappointment with attendance at the Lifestyle Expo & Conference held in Atlanta in September. "At the present time it is clear that the industry support for the Atlanta show just doesn't exist," said Tom Conley, NHMA's executive director. "But times can and do change. Therefore we will continue to evaluate the need for additional NHMA-sponsored shows, and are open to explore any opportunity that can benefit the industry."

Comp USA Files Initial Public Offering

DALLAS — Comp USA, the nation's leading computer superstore chain, has filed an initial public offering of 6 million shares of common stock at a price of $15 to $18, for a net of $90 million or more. The chain plans to finance expansion from its 25-store base with the proceeds, as well as to pay down debt. Some 9 million shares will remain in the hands of original investors and management.

Easter Seals Praises Target's Ads

MINNEAPOLIS — For the second year in a row, the National Easter Seals Society has honored Target for using models with disabilities in its print advertising. In another ad model innovation, Wal-Mart is using store and headquarters employees, as well as their children, in its newspaper supplements. Each advertisement identifies the associate and job classification. When children appear as models, the ad identifies them and their parents.

Goody To Offer Shares of Common Stock

KNOXVILLE, Tenn. — Goody's Family Clothing has filed a registration statement with the Securities and Exchange Commission for an initial offering of 3 million shares of common stock. About 1.2 million of the shares will be offered through First Boston Corp., Robinson-Humphrey Co., and Morgan Keegan & Co. The public offering comes after a number of years of expansion for the Southern chain, which began 1989 with 90 stores and should have close to 120 by 1992. Goody expects to open 15 additional stores in '92.

Former Target CEO on ShopKo Board

GREEN BAY, Wisc. — ShopKo, which went public Oct. 8, has named former Target chairman and ceo Bruce G. Allbright to its six-man board. Although retired, Allbright also sits on the boards of two other discounters, Rose's Stores and Drug Emporium. Chairman of the board is Michael W. Wright, who is chairman and ceo of Super Valu, ShopKo's original parent. Super Valu continues to own a 46% controlling interest in the discount store chain. William J. Tyrrell, ShopKo president from 1973 until February 1991, will serve as vice chairman. Dale P. Kramer, who succeeded Tyrrell, also joins the board.

Sports Authority Pushes Count to 36

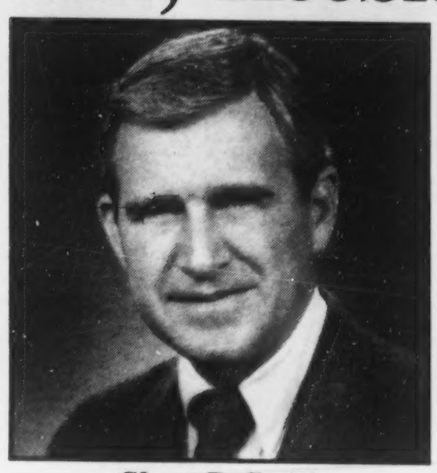
FORT LAUDERDALE, Fla. — Sports Authority, Kmart's sporting goods specialty chain, plans to open six more units this month, pushing year-end count to 36. One of those is in a new market, Atlanta, home of Sports Town, another sporting goods megastore chain. One of the units will be in Rockville, Md., and the remaining four to be opened are in Florida—two in Orlando and one each in Deerfield Beach and Jacksonville. By the end of 1992, Sports Authority expects to be operating 55 stores, including units in a major new market, New York, as well as fill-in stores in Atlanta, South Florida, Philadelphia, Detroit and Las Vegas. Of the 19 stores to open next year, about 10 will be in the metro New York market on Long Island, Westchester County and northern New Jersey.

Kmart Rolls Out Couponing Kiosks

TROY, Mich. — Kmart has rolled out "Blue Light Special Coupons" electronic couponing kiosks to 105 stores in Michigan and Ohio, after testing the terminals in one Long Island, N.Y., and eight Detroit units (see *DSN*, June 17, page 45). The kiosks, which use TSS Ltd.'s interactive technology, offer coupons for 24 different products, along with coupons for related items. At the test stores, the redemption rate has averaged 28%, and "it's been a challenge to keep couponed merchandise in stock," said George Shipes, Kmart's director of sales promotions.

Kmart Restructures Fashion Arm; Promotes Smith, Keeble, Murasky

TROY, Mich. — Kmart Apparel Corp. president Glenn B. Smith has been promoted to executive vice president, merchandising, for Kmart Corp., as part of a restructuring of the discounter's fashion division.



Glenn B. Smith

Kmart also announced two other promotions, all effective Dec. 1. Donald W. Keeble was named senior vice president, general merchandise manager, fashions, reporting to Smith. Keeble had been senior vp, special projects.

Thomas F. Murasky, currently vice president and chief financial officer, was given the title of executive vp and cfo. He will be responsible for all Kmart information systems.

Smith will now be responsible for merchandising all the hard lines and fashions for the discounter. Also reporting to Smith will be William Underwood, senior vice president, general merchandise.

Smith's promotion follows an earlier announcement that Kmart Apparel would be renamed Kmart Fashions. The name change was part of the restructuring of the division which will now operate out of Kmart's corporate headquarters in Troy rather than as a separate entity that currently operates out of offices in North Bergen, N.J.

According to the company, the apparel distribution center will remain in the North Bergen facility, but the merchandising staff will begin the move back to Troy early in 1992.

Ward, Fingerhut In Catalog Deal

By Arthur Markowitz

CHICAGO — Montgomery Ward is trying a new tack as it reenters the mail order catalog field after a six year absence.

Montgomery Ward Direct, a 50/50 joint venture with direct marketer Fingerhut, will distribute specialty catalogs to specific audiences who are most likely to buy the products, rather than the massive general merchandise Big Book that Ward formerly published. The two companies have a 15-year agreement, with renewal options.

Eleven different catalogs of 50 to 100 pages each are to be issued, with the first due by March 1992.

Sears is the only retailer issuing a large general merchandise catalog, but is trying to turn around this unprofitable $3.8 billion business (see *DSN*, July 8, page 2).

The merchandise in Montgomery Ward Direct will be geared to the demographics of Ward's customers, particularly the retailer's 10 million active credit card holders who comprise the core mailing list for the catalogs. These consumers are mainly 25- to 55-year-olds with $30,000-plus household income. The venture will also buy other mailing lists.

The Ward's list includes about 1 million customers who have also bought goods for more than a year from test catalogs, books from other direct marketers which the retailer distributed under its own name and received about a 10% commission of about 10 percent of sales. These syndication agreements have been dropped.

Montgomery Ward Direct will be based in Minneapolis, where Fingerhut, a $1.2 billion company, has its headquarters. But the venture will be a separate business from its two parent retailers with its own buyers—now being hired—and executives. The venture expected to have a staff of about 150 by the end of next year.

The merchandise in the catalogs won't be deliberately marketed in either Ward stores or Fingerhut books, although buyers for the three companies could separately purchase the same goods.

The joint venture marks Ward's move from a turnaround situation to a growth mode. It shut its original catalog operation in 1985 to cut costs and focus resources on its then troubled core retail store business. Last year Ward earned $153 million on $5.5 billion in sales.

Ward left the catalog busi-

(Continued on page 31)

BTS Show Is More Basic Than Usual

By Laura Liebeck

CHICAGO — With the slow 1991 back-to-school season now a memory, the two upcoming BTS shows offer buyers a chance to find a few hot items to lift their business out of the doldrums.

The nation's strained economy caused 1991 back-to-school sales to be even more basic than usual, several buyers told *DSN*.

For some retailers, the business was also late in coming, August vs. July, and sales were disappointing.

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EDITORIAL

Int'l Expansion: Mexico is Ripe, Ready

As a result of the collapse of Communism in Russia, the relaxation of the bureaucracy in Japan, a reunified Germany, the European Common Market, the Free Trade Agreement with Mexico and Canada, and other international developments, U.S. retailers and manufacturers are exploring new opportunities in countries where they never even imagined doing business before.

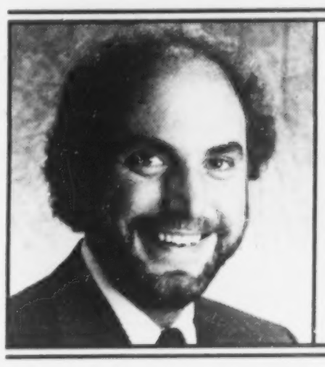
However, the reality of expanding to many Eastern European and Pacific Rim countries is still years away. Consider that:

- Russia is too risky. Many U.S. firms, lured by vast growth potential, are still wary of the political and ecomomic climate. While it would be great public relations to be the first retailer to enter Moscow as McDonald's proved, few U.S. chains can afford the risk;
- Japan is too slow to change. Kudos to Toys "R" Us for its persistence in trying to enter Japan. (TRU's first unit will open Dec. 20). But in reality it's too difficult a process for most U.S. companies. The U.S. Trade Representative lobbied hard for change in Japan to let U.S. companies enter the country, but to little avail, and the focus has since shifted;
- Canada is too expensive. With lingering recession and the high cost of doing business, many U.S. firms are not interested in Canadian expansion. Why bother? It's easier and less costly for a U.S. retailer to open stores along the U.S. border and attract Canadian shoppers than to open in Canada, as Target has proven. But expansion may pick up as the economy gets better. In fact, Sears and Price Club recently opened several units in Canada, and Kmart, with a longtime presence, is remodeling its stores. Can Wal-Mart be far behind?

There are several other countries, including East Germany and Poland, where the concept of discounting would be viable. But expansion remains risky and therefore several years away.

Perhaps the best opportunity for U.S. companies is Mexico. Few countries are as eager and as willing to do business as our neighbor south of the border.

In fact, two major U.S. retailers—Wal-Mart and Price Club—have already announced plans to enter the country. Woolworth repurchased its stake in its Mexican subsidiary and Oshman's opened the first of several stores. And Mexico's largest retailers are getting their act together, realizing the growth opportunity. Cifra, Mexico's largest retailer with more than $2 billion in sales, has joined forces with Wal-Mart. Comercial Mexicana and Grupo Gigante recently made initial public stock offers. And Comercial Mexicana has teamed up with Price Club. There's little doubt that the concept of discount retailing will proliferate in Mexico.



TONY LISANTI
Editor

According to an interview in *Business Week*, Mexico's president Carlos Salinas de Gortari has "put the country on a fast track for a Free Trade Agreement with the U.S. and Canada."

Recognizing this opportunity, *DSN* and Deloitte & Touche are co-sponsoring a Mexican study tour Feb. 20 and 21, 1992.

"Retailers should not view a free trade agreement as a threat," said E. Dean Liles, a Dallas-based regional director of TRADE Retail and Distribution Services Group of Deloitte & Touche. "We are seeing a great deal of interest among our retail clients due to the many business opportunities that exist in the Mexican market. The timetable for action is now."

According to Lilian Corvington, a senior retail specialist from Deloitte & Touche's Mexico City office, "There are few shopping centers in Mexico, slow development of national specialty chains and very few category killers." She pointed out that the major retail activity is in Mexico City, and that the country has only 43 cities with more than five supermarkets, 48 cities with more than three department stores and 61 cities with more than three chains.

The two-day study tour will be held at the Westin Camino Real in Mexico City. The program will include store and factory tours as well as an overview of Mexican retailing, an economic outlook, a political overview, and an update on the Free Trade Agreement. For more details, complete the reservation form on page 27 and fax it to Tony Lisanti, (212) 756-5125.

BUYERS & SELLERS

DSN Slates Timely Examination of Target

It was a Great "land" day for Target. On Oct. 13, the nation's third largest discount store chain opened a single-day record 22 stores across the U.S.A.

Almost exactly a year ago, Target unveiled the most exciting new general merchandise store concept of the year: Target Greatland, a 169,000-square-foot superstore prototype featuring super wide aisles, special shop areas for cross-merchandising products with similar themes, mini-information centers equipped with bar code scanners so customers could scan their own merchandise while shopping, a neon wave that tied together various departments of the color-coded store, and numerous other enhancements.

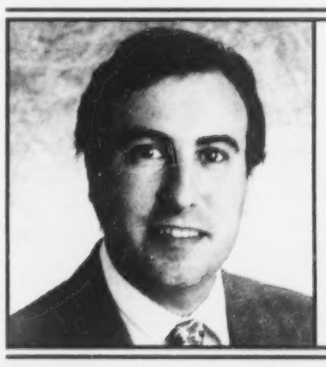
In Jacksonville, Fla., in Austin, Texas, in Bemdiji, Minn., in Columbus, Ohio, in Springfield, Ill., in Coeur d'Alene, Idaho, and in Palmdale, Calif., *DSN* editors and photographers covered the grand opening festivities of the most successful and most frequently emulated upscale discount chain in the country.

Actually only six of the stores opened Oct. 13 were technically Greatlands. But in substance, if not in name, all the new stores opened by Target incorporate enough of the Greatland prototype's features to give form to a vision of what Target will look like in the coming years.

DSN's readers will get an in-depth look at that vision Dec. 10. Through stories and photographs, *DSN* will take readers to the October grand opening, providing a glimpse of the excitement and drama of opening what amounts to a small chain of stores in a single day.

Target is in the midst of an ambitious expansion program. Indeed, at last year's Greatland opening in Apple Valley, Minn., Target chairman Robert Ulrich declared, "Target is ready to grow as never before." This past July, Target opened 19 stores on a single day, and next March, the chain reportedly plans to conduct at least 30 grand openings.

The expansion, and *DSN*'s special year-end report, comes at what appears to be a critical time in Target's history. Just two days prior to the big grand openings, president Warren Feldberg resigned from the company to take a position as chairman of Marshall's, the off-price apparel chain. Feldberg, as president and, more significantly, as longtime chief of Target's merchandising strategy, has kept the discounter focused on its concept of product differentiation and exclusivity. That concept, more than anything else, is essential to Target's success. Under Feldberg's direction, Target buyers were required to exhibit a sense of creativity in product development. They must look at the world as a shopping basket and find ways to bring that basket to the average customer.



DON LONGO
Exec Editor

I don't expect that strategy to change much with Feldberg gone. After all, chairman Ulrich has been around long enough to ensure that the chain stays true to its strengths. But the loss of Feldberg, along with several executives who followed operations vice president George Jones to Rose's Stores earlier this year, creates more challenges for the upscale discounter.

All of which makes *DSN*'s Dec. 10 special issue on Target Stores must reading for every discount industry executive.

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Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
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APPAREL

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Booties Get Boot With Kiddies

Sneakers, Hightops Are The Rage in Growing Children's Footwear Category

By Jill Lettich
Nationwide DSN Report

Infant and toddler footwear often brings to mind traditional booties and pretty Mary Janes, but today's parents have a different vision of what the well-dressed baby should be wearing. Sneakers and hightops are replacing traditional shoe styles in both "prewalking" and toddler sizes.

The infant and toddler (ages birth-to-5) athletic shoe market rang up an impressive $493.5 million at retail in 1990, an increase of nearly 7% compared to 1989. Not surprisingly, discount stores represent the largest channel of distribution for the category.

The rising shift to discounters was marked by a change in parents' shopping styles, especially when it came to athletic shoes for the wee ones.

In the '80s, expensive Nike or Reebok baby sneakers were a popular buy with Yuppie parents, mostly at department and specialty stores. Today, cute licensed characters are preferred over shoe brand names. In addition, pragmatic and recession-weary parents are looking to discounters to help them clothe their baby's feet. Discount stores have long been a draw for value-conscious parents, but statistics show that recently discounters have taken big steps in gaining children's footwear market share.

"The age of the overdone and overpriced sneaker is over," declared Max Lichy, national sales manager, Suave Shoe Corp., Miami. "Parents are going to stop paying that much for their kids' shoes. I think this generation is going to change from being the biggest spenders into the biggest savers."

Lichy said that Suave has spent the last three years concentrating on the children's market. Many discounters have done the same, viewing the children' category as one which has managed to sidestep the worst of the recession.

"In a recession the first one to stop buying clothes is the father, then the mother, but the child never does without," Lichy said. "And shoes are a unique market in that you may see a kid with mended pants for instance, but the shoes will be new."

This trend toward value buying has already begun, if one looks at the latest figures from Footwear Market Insights, Nashville, Tenn.

Infants' Athletic Footwear Market Share By Channels of Distribution[1]

Outlet	1988	1989	1990	% change 1989-1990
Discount Stores	33.5	38.0	44.2	6.2
Sears, Penney, Ward	7.6	9.1	10.2	1.0
Shoe Stores	17.5	19.4	14	(5.3)
Department Stores	7.8	9.0	7.1	(1.9)
Apparel Specialty	1.9	1.0	0.5	(0.5)
All Other Outlets[2]	31.7	23.5	24	0.3

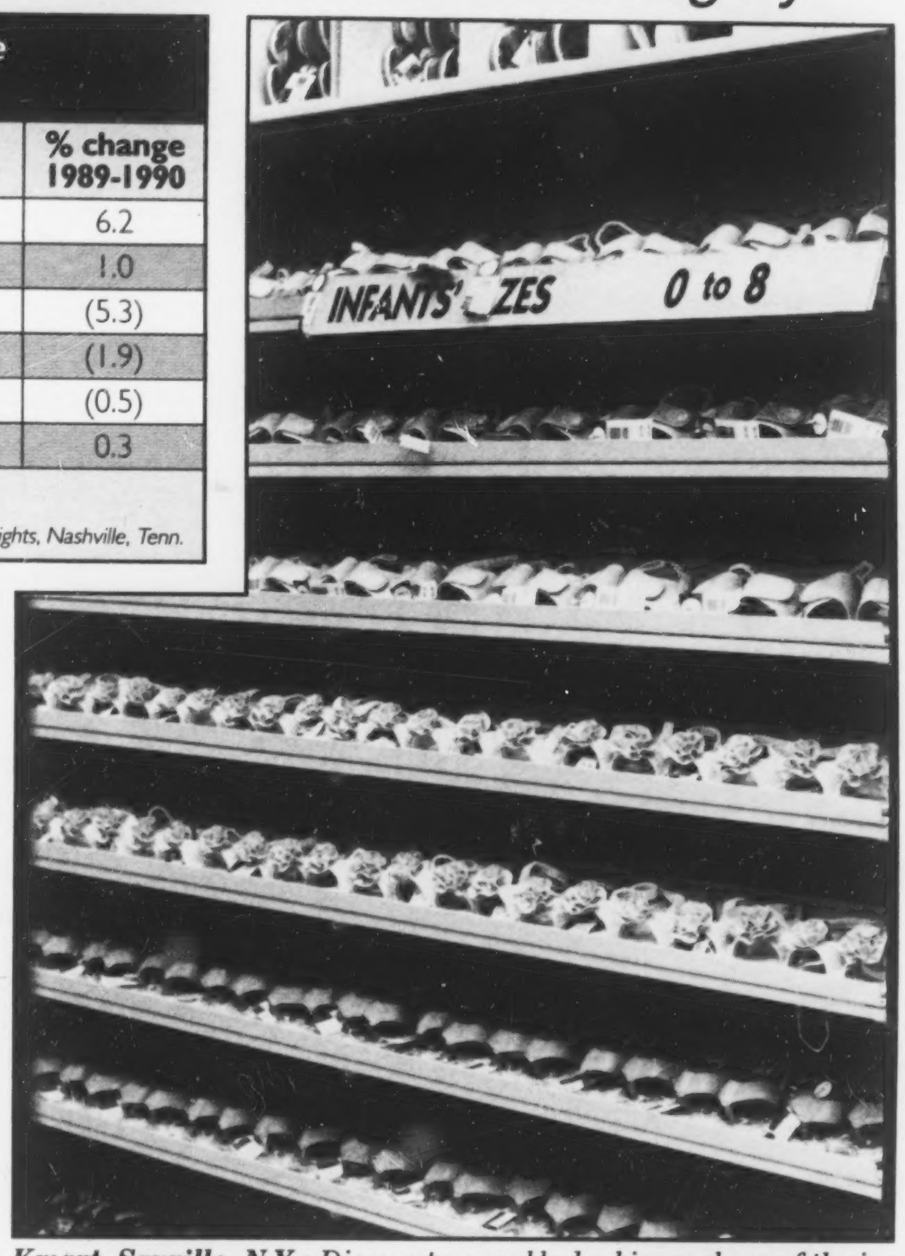
[1] *100% = Total pairs per period.*
[2] *Includes sporting goods shops, athletic shoe stores, mail order and factory outlets.*
( ) = Loss
Source: Footwear Marketing Insights, Nashville, Tenn.

In 1986, the infant athletic footwear market garnered $308.7 million in sales. In 1990, it was over $493 million.

This may seem like peanuts compared to the overall athletic market, which racked up $11 billion in 1990. But, that same year, infant's share of athletic shoe purchases was higher than either men's, women's or girls, according to the Sporting Goods Manufacturers Association. Not surprisingly, only young boys buy more athletic shoes.

FMI reported that the discount tier's share of the infant's athletic market went from 30.7% of sales in 1986 to 44.2% of sales in 1990.

Those numbers do not include shares of market for Sears, JCPenney or Montgomery Ward. The numbers are even more impressive when incorporating these mass market chains along with self-service shoe stores and factory outlets. Added together, they account for over 66% of the infants' athletic footwear market.



Kmart, Sayville, N.Y.: *Discounters grabbed a bigger share of the infant market when parents changed their style of shopping.* (DSN photo)

Also telling is the pricing trend in this market. An average regular price of $18.10 was the norm in 1989. One difficult year later, the average price consumers spent on a pair of infant athletic shoes decreased 3.9% to $17.40. A more unfortunate sign of the times, according to FMI, is

(Continued on page 18)

MARKETWATCH

J. Baker Trades Shares For 29-Store WearGuard

BOSTON — J. Baker has acquired the WearGuard Corp.'s retail operations. WearGuard has 29 retail operations in 10 states primarily in the Northeast. J. Baker has acquired the assets of the retail outlets as well as a license to the WearGuard name. WearGuard specializes in work clothes. J. Baker is the parent of Casual Male/Big and Tall men's chain and Parade of Shoes. In addition, the company runs over 1,000 leased shoe departments at various discount stores. The purchase price of WearGuard's retail operations is expected to be approximately 430,000 shares of J. Baker common stock. WearGuard's retail concerns had total sales of $24 million for the 12 months ended June 1991.

In a separate announcement, J. Baker reported Charles P. Hudson had been named president of Parade of Shoes. He was previously executive vice president and general merchandise manager for Fisher/Camuto, a Brazilian-based manufacturer and retailer of women's shoes. J. Baker's total sales for the first six months of the year were $235 million, a 8.4% increase from the same period last year. Operating income for the six months ended Aug. 3 was $9.9 million.

Apparel Makers Leading in High-Tech Fiber Usage

NEW YORK — An independent research report compiled by the marketing firm of Frost & Sullivan shows that state-of-the art fiber technology is changing America's recreation habits. Apparel represented the largest portion of fiber use in the recreational market. Manufacturers are heavily using performance fibers such as polypropylene and Thermax designed to whisk moisture away from the body; Hollofil and Thinsulate which function as insulators are also in demand. According to Frost & Sullivan, Du Pont has a "commanding lead" in domestic performance fibers.

Clothestime's 400th Unit Opens; 4 More This Year

ANAHEIM, Calif. — Clothestime opened its 400th store last month, in Tampa, Fla. According to John Ortega II, chairman, the off-price apparel chain plans to open four more stores by year's end. There are currently 44 Clothestime stores in Florida. Upcoming openings in the state include Largo, Ocala and St. Augustine. The Tampa unit is in the Carrollwood Commons center that is anchored by Target, Payless, Ross and Linens 'N Things. The company announced that sales for the first eight months of fiscal 1991 increased 23% to $171.6 million, compared to $139.1 million for the same period a year earlier. Comparable store sales for the first eight months rose 13%.

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APPAREL

Booties Get Boot in Kiddie Shoe Category

(Continued from page 17)

the fact that 46.9% of all infant athletic shoes sold in 1990 were sold on sale.

Unique to the infant category is the number of character licenses found on the market. Unlike apparel, where a character has a longer lifespan in terms of the wearer, licenses on shoes are more limited to the very young.

Linda Kanner, vice president of merchandising at J. Baker, Readville, Mass., said that at both its Parade of Shoes operation and its leased departments at discounters such as Rose's, Jamesway and Fisher's Big Wheel, licensed goods accounted for about 30% of the infant's shoe sales.

Because of the growth of the infant shoe market and the strength of licenses in this area, merchandising infant shoes has also taken on new meaning.

Kanner admits J. Baker has put additional emphasis on children's footwear. But, rather than increase allotted space, new ways of presenting the products are used.

"One thing we did was blister-pack some of the smaller size shoes. This way a parent can see what they are buying and it can be hung on a peg board, making the best use of limited space," she said.

Less formal presentations are not without their merits. This past summer, for instance, Kmart featured a promotional bin full of Teenage Mutant Ninja Turtle sandals.

Bins may work for promotional buys, but usually in licensing, the boxed presentation is more important. In this case, the box often establishes the personality of the character.

Charles Becker, marketing director of E.S. Originals, considers the box an in-store selling tool and notes that the majority of its shoes, regardless of size, are displayed on racks.

Lichy noted that Suave's character products are also usually in boxes.

Both companies do business with a wide range of discounters, including Kmart, Wal-Mart, Target and Venture.

There is no lack of characters in the market. Shoe manufacturers such as E.S. Originals market the likes of Flinstones.

Pagoda Trading, a division of the Brown Group, markets many of Disney's characters, including Mickey and Minnie Mouse, The Little Mermaid and newcomers Beauty and the Beast. Pagoda also licenses Mattel's Barbie.

Mercury International Trading has the rights to perennial favorite, Snoopy.

Suave's licenses include Batman and Captain Planet.

Character licensing on shoes is particular to the infant and toddler age group. The target age for the licensed shoes begin at birth but generally go no older than about 8 years old. By the time a child is 7 or 8 they begin to want the familiar adult athletic shoes brands, or at least a reasonably-priced facsimile.

As this segment grows, athletic shoe manufacturers can look forward to a savvy new crop of customers that are being trained very young.

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1992 Consumer Purchase Projections

Product	No. of Units (In Millions)
Component audio	5.6
CD players	9.3
Computers	6.5
Big screen TV	6.5
VCR	8.4
Video game system	8.4
Video game cartridges	69.8
PC Software	26.9
Prerecorded video	168.2

Source: Fairfield Research

A Christmas Not Even The Grinch Would Love

(Continued from page 1)

they will spend less this year, while only 24% said they will spend more. The percentage saying they will spend less had risen substantially each month since August, when 40% planned to spend less, and the difference between results this year and last year was remarkable. Last year, for instance, only 34% said they would spend less when asked during August.

Like last year, that will force retailers to start cutting prices earlier (and deeper) than usual, and price wars are almost inevitable. Rosenbaum is already seeing signs that retailers will be forced to "seek out new and innovative ways to encourage consumers to shop now; Child World's price guarantee is a good example. When consumers see price cutting, it makes them even more tentative about going into a store. They figure if they wait another week, the price will be even lower, or a competitor will undercut the best price."

Fairfield Research chairman Gary Gablehouse found a few bright spots in an otherwise dismal picture. Video game systems and software are high on shoppers' lists, probably spurred by the introduction of Nintendo's Super NES and the continuing success of Sega's Genesis, and personal computers and software also appear to have a bright holiday forecast. Large screen televisions should be hot (a trend from last year is buying one large present for the entire family), and prerecorded video titles, spurred by the release of hits like *Fantasia* and *Terminator II*, are projected to blow off the shelf. Of course, that might have as much to do with the relatively modest selling price of recent hits (many for under $20) as with any intrinsic desire for more prerecorded video.

Rosenbaum did not see any silver lining at all. "It's dismal all over," he said. He expects to see a rerun of last year, when consumers waited until the last minute to shop, which caused retailers to lose sales twice; once in early December, when no one showed up to shop, and again shortly before Christmas, when massive out-of-stocks on high-ticket goods like computers and big screen televisions cost retailers dearly.

If these surveys are accurate reflections of consumer spending, even the Grinch wouldn't touch this Christmas.

Kmart Ups OfficeMax Stake

(Continued from page 4)

United States "wherever there is a synergy" with other Kmart retail concepts.

Taking full advantage of Kmart's lucrative real estate and financing network is a real plus for OfficeMax and the result of Kmart's desire to fully participate in the explosive office superstore business.

"Large-size office supply stores represent an exciting growth opportunity for Kmart," said Kmart chairman Joseph Antonini. "Our acquisition of OfficeMax, a well-established company, will enhance our position in this rapidly expanding business."

OfficeMax founders Feuer and Robert Hurwitz, chairman, will retain the remaining 8% of OfficeMax stock. Feuer said he will sign a long-term contract with Kmart and will remain president of the chain under Kmart.

OfficeMax will report to George Mrkonic, executive vice president of Kmart, responsible for the specialty stores. The office supply chain will operate as a fully autonomous subsidiary, which is Kmart's standard policy.

"Our practice is to provide overall corporate guidance but the subsidiaries have a fairly autonomous management group," said Orren Knauer, director of investor relations for Kmart. All of the subsidiaries operate independently of Kmart but have periodic reviews with Mrkonic, Knauer added.

OfficeMax is fifth largest office superstore chain, with 1990 sales of $200 million.

Kmart's acquisition of OfficeMax allows the chain to grow more quickly than originally planned by drawing from Kmart's huge financial base and marketing and merchandising expertise.

"We're now expanding our expansion strategy," said Feuer, noting that OfficeMax is "looking at a geographic move beyond the Midwest." For now, he would only identify OfficeMax's intention of joining Kmart in Puerto Rico—with a still undetermined number of units—and greatly expanding its presence in Chicago, both with new stores and by relocating older stores to new locations.

Feuer declined to confirm or deny industry rumors that OfficeMax will open stores in Boston, the home turf of major competitor Staples, Long Island and Atlanta. He did say that he will be announcing "other geographic openings" later this month.

In the short term, Feuer said his goal is for OfficeMax to become a $1 billion company.

By the end of January 1993, OfficeMax will operate between 125 and 150 stores, speeding up the chain's original store opening schedule which called for 100 stores by the end of July, its current fiscal year.

Under Kmart, "we'll get bigger, faster," said Feuer, also noting the company will be changing its fiscal year to a calendar year, to coincide with Kmart's reporting schedule.

OfficeMax's marriage with Kmart was a year in the making.

After an unsuccessful try with its own office superstore chain, Office Square, Kmart decided last year to abandon the five-store chain and test the waters with OfficeMax through a minority holding of 21.6%.

The arrangement with OfficeMax was a two-step deal that involved selling Office Square to OfficeMax and then acquiring stock in OfficeMax.

"It was a textbook case of the '90s," said Feuer. "Last year was viewed as a trial marriage, [a time to] get to know the company, crystallize its [Kmart's] view of the industry and give the management team an opportunity to know Kmart."

A year ago, both Feuer and Antonini, talked about seeing if there was a "chemistry" between the two companies and to speculate on a relationship beyond the minority stake.

Obviously, all sides were pleased with the arrangement.

"Kmart became our biggest ally," said Feuer. "We had a very unique relationship: Antonini, [Thomas] Murasky [recently promoted to executive vp and chief financial officer], Mrkonic. The process grew and the relationship worked. The chemistry was right and [we found that we had] the same mindset."

Kmart's hands-off approach to the operation of its subsidiaries puzzled Feuer at first, he said. "I thought they didn't respect me. They never called. We sent up our numbers monthly."

As it turned out, OfficeMax operated well by itself and Kmart had no reason to interfere.

OfficeMax was founded in April 1988 by Feuer and Hurwitz. They opened their first store in a suburb of Cleveland three months later and acquired their first chain, Office World, Great Neck, N.Y., a seven-unit chain, in April 1990 followed by Office Square in November 1990.

Sam's Club Tosses Wiener Vendor

(Continued from page 3)

ment Rabalais said could not be met by most of her disabled employees.

Rabalais charged that when property was not removed by the deadline, Sam's employees seized some $25,000 worth of perishable food and $400,000 of fixtures, which they had not returned at presstime. The day's receipts, however, were eventually returned, along with employee time cards.

The vendors purchased all of their supplies and much of their equipment from Sam's, and in addition paid 10% of net sales as rental, Rabalais said. "We were their No. 1 wholesale account in the stores where we operated," she said. "Anything that could be bought at Sam's, we bought there."

For its part, Sam's would say only through a prepared release that there are "two sides to every story" and that it is "eagerly awaiting the opportunity to have the situation resolved in court." The company added that "since the action is in litigation, we feel it's most proper to let the situation be handled in court rather than in the news media." However the situation is resolved, Sam's will likely suffer a black eye in the Texas market, where press coverage has been extensive.

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BTS Show Buys: More Basic Than Usual

(Continued from page 2)

"The industry's been stagnant except for recycling," and a few licensed products such as Waldo and Little Mermaid, one East Coast buyer said. "It's not an industry that is coming out with a lot of new things."

At least the upcoming Back-To-School Merchandise Show, scheduled to take place Nov. 12 to 14 at McCormick Place, will feature a number of new products that will reflect some real innovation in the stationery/back-to-school/home-office sector.

Among the new offerings are adjustable book covers made from recycled plastics by Tic-La-Dex, San Diego, and high quality expressive and business stationery for the mass market made by Legacy, a new division of Strathmore, West Springfield, Mass.

Tic-La-Dex, an eight-year-old company that has supplied organizational products to government and military agencies, decided recently to enter the retail sector with items geared to the back-to-school and home-office consumers, said president Geoff Phillips. U.S. distribution is being set up now.

The adjustable book covers, which will retail for less than $1.50, feature a number of colors and designs, said Phillips, noting that he has already secured the Hang Ten and Lightening Bolt licenses.

Legacy is using the Chicago BTS Show to launch its 100-sku line of colored papers—soft pastels to bright flourescents, parchment, cotton fiber and recycled products—to the retail market, said Amy McDermott, marketing manager.

Aside from the new retail paper line, Legacy, which was developed specifically for the mass market, will introduce new self-sell, color-coded, retail-oriented packaging that shows off the paper inside.

Golden Books also is a new exhibitor to the upcoming show. Best known for its Little Golden Books series, it will launch a 69-item line of children's arts and crafts products with its new Merrigold label. Among the items are: chalk and cork boards, paints, markers and modeling clay.

Overall, 260-plus exhibitors will occupy 500 booths at the show, managed by Thalheim Expositions, Great Neck, N.Y. For the Thalheim group, the current show is its 11th annual event, and the smallest in recent memory, the result of a now fractured BTS industry.

This year, unlike the previous 10, two back-to-school shows, one month apart, will be held by two organizations in different parts of the country.

The other show, managed by InterBev for the industry's new trade association, SHOPA (School, Home Office Products Association), is likely to be the bigger of the two events, as manufacturers and buyers alike have chosen to support the new trade association in greater numbers than the Thalheim show.

SHOPA's first trade show will be Dec. 10 to 13 in New Orleans and will include many of the industry's largest companies, including Mead and Stuart Hall, which are not exhibiting in Chicago this month.

A special feature at this year's BTS Merchandise Show will be a business center, offering secretarial, facsimile and overnight mail services for exhibitors and buyers.

In addition, the organization's second annual networking party, this year sponsored by Pentel of America and Telebrands, formerly called As Seen on TV, will be held on Tuesday, Nov. 12, from 6 p.m. to 7:30 p.m., at the Chicago Hilton and Towers. Tickets are $25 each.

The recession has left many stationery buyers wondering about the prospects for next year's business. No one contacted by *DSN* would speculate about the 1992 BTS season or commit to a specified list of items they will look for at the upcoming show.

In fact, a number of buyers said that business was so basic this year, and late in coming, that they will be looking for legitimately new items to add some splash to their mix.

Charles Gower, divisional merchandise manager for Jacks, a 14-unit discount chain based in Quincy, Ill., said the result of the 1991 BTS season will be that he will "go after more home office" products and be a "tough negotiator" when he faces vendors.

Although basic school supplies dominated sales this year, a few outstanding items, such as wireless notebooks, multi-packs of pens and backpacks stood out from the general mix, sources said.

At Jacks, wireless notebooks and multi-packs of pens, especially from Bic, were hot, said Gower.

For Goldblatt's of Chicago, a 12-store chain, and Pic N' Save of Jacksonville, Fla., a 40-unit discount chain, backpacks did very well this year.

Pic N' Save did better than many retailers this past BTS season, having made its plan, said John Little, general merchandise manager, noting that the profit center is still in the trendy, fashionable items, and will be an area of concentration for the chain.

For Goldblatt's, an urban discounter, the upcoming show offers opportunities to find closeouts that can be sold this year, said buyer Jerry Lavine. As at Pic N' Save, backpacks did very well this year, and Lavine said he will be looking for commitments in this category since it has become a year-round item.

Lavine said he also will be looking for more party goods, including party favors, which he said is now the largest growth area in his stationery department.

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Warehouse Club to Absorb Membership of Closing BJ's

(Continued from page 4)

Waban Inc. plans to shut the BJ's in Chicago and convert three of them to HomeClub warehouse home centers (see *DSN*, Oct. 21, page 2). Paid-up BJ's business and group members who purchased a one-year $25 Warehouse Club membership will get full credit for the remaining time on their BJ's membership.

The 10-unit Warehouse Club, which has three units in Chicago, is a troubled company that reported a negative $4.9 million working capital at the end of its third quarter and has shut four clubs in the past few years. Walter H. Teninga, its founder, chairman and chief executive officer, resigned in July, with James V. Walsh, president and chief operating officer, assuming Teninga's day-to-day responsibilities.

Under the right offering, each stockholder will be able to purchase three units for each share owned. Each unit consists of a right to buy one share at 40 cents and a warrant to purchase another share at 60 cents. George Valassis, the company's principal shareholder who owns 54.4% of the outstanding stock, has committed to purchasing his pro rata share of the rights offering.

The Warehouse Club decided to do the rights offering as "the best way" to raise funds for inventory and also increase shareholders' equity, the executive said.

A stock offering was ruled out as the failure of a proposed agreement with A&P a year ago indicated there wasn't any investor interest in such a step, while the company didn't want to borrow because it didn't want to increase its debt.

Closeout Chain Takes on New Name

(Continued from page 3)

Putting the best face on the oversight, Hupp said the change actually will help the chain reintroduce itself to customers in the Southeast—a fairly new market—and convey a sense of what the company is about. "MacFrugal's conveys bargains," she said. "Customers in Dallas actually confused us with a grocery store chain called Sack N Save." Others confused it with Pay 'N Pak, a home center chain, she said.

The new name, MacFrugal's, was the winner in a company-wide new name contest that drew 7,500 entries, Hupp said. A clerical employee in corporate offices submitted the winning name, Hupp said. She left the company after winning, but still collected the grand prize, a one-week vacation for two in Cancun, Mexico.

The new name appears to be an instant hit with customers, Hupp said. Saturday, Oct. 5, 200 to 250 customers waited in line at Texas stores holding their grand reopenings as MacFrugal's, Hupp said. For its second quarter ended Aug. 4, 1991, Pic (soon to be Mac) reported sales rose to $116.4 million from $112.7 million a year earlier. Operating results turned around to $9.4 million in operating income from $12.5 million in operating losses.

DISCOUNT STORE NEWS

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Vol. 30, No. 21 November 4, 1991

HomeMarket Trends

November 4, 1991 Special Supplement Discount Store News

At Home With Zellers

Canadian Discounter Cultivates Specialty Concepts

RTA Exclusive: What Consumers Really Think/19

HomeTex Awards to Wal-Mart, Martha Stewart/16

Furniture Throws on the Upswing/17

Discounters Dominate RTA

Consumers Likely to Look for Inexpensive Ready-to-Assemble Furniture Basics at Discount Stores, HMT Survey Says

Manufacturers of RTA furniture who have adopted a two-tier approach to marketing have correctly anticipated consumer shopping patterns, according to a national survey of households conducted by *HomeMarket Trends* over the summer. Consumers clearly look for highly styled and full-feature products at furniture and home decor specialty outlets, while purchasing more price-oriented basics at full line discounters.

Full line discounters continue to dominate the ready-to-assemble furniture market, despite escalating competition from catalog showrooms like Best Products and Service Merchandise, mass merchandisers like Sears, specialty store chains such as IKEA and Pier 1, and home center chains like Home Depot.

While the RTA furniture industry has made immeasurable strides in the quality and styling of its products and the clarity of its assembly instructions, the discount store environment is not the best place to convince the consumer of these improvements, based on survey findings.

Consumers have reservations about the quality of RTA, especially when it is sold at a discount store, the results indicated, but sharply priced RTA at discount stores offers a tradeoff that a large segment of the shopper base cannot afford to turn down.

Familiarity with RTA has risen to a level only imagined less than a decade ago. Three out of four households could describe a specific RTA item they have seen, and an equal amount know where they would shop for RTA; most often a discounter. While most consumers can think of an RTA item, there were at least 6% of consumers who could not think of a specific item.

But while respondents were well-versed in what RTA is, they considered its primary application to be an open storage unit. Few identified RTA as a furniture item to be used for seating, with even fewer considering upholstered RTA as something they have even seen, much less something they would purchase.

Discounters were the preferred outlet for RTA and Wal-Mart was the discount industry leader (despite a lower store count than Kmart and thereby less availability to the survey population). Perhaps even more interesting than Wal-Mart's dominance is that, unlike most other retailers, it was mentioned more by male shoppers of RTA than by females. The only other specific chains that were preferred more often by men than by women for the purchase of RTA were Sears, Home Depot and IKEA.

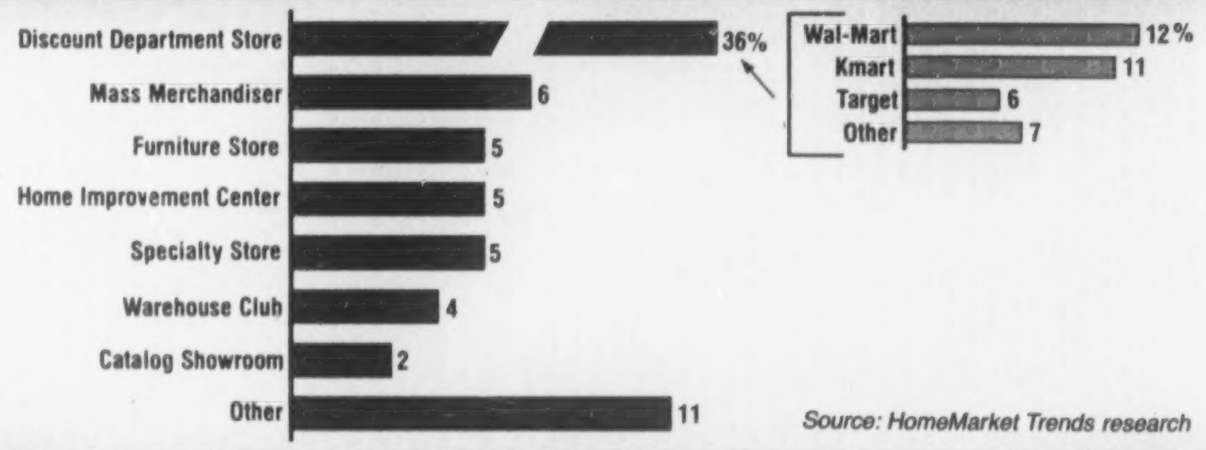
Sears, which made a commitment to the RTA category several years ago with programs from Sauder Woodworking and Bush Industries, was preferred by 4% of customers when shopping for RTA. Neither JC Penney nor Montgomery Ward were considered to be RTA resources.

Despite what is often a well-developed RTA presence and *national availability*, the home improvement centers could not compete with their discount store cousins. The problem rested, in part, on lack of female shopper traffic. With

***Discounters are the** primary resource for ready-to-assemble furniture, consumers say. RTA is the hard lines backbone of the home decor area at stores like Bradlees, Bordentown, N.J.* (HMT photo)

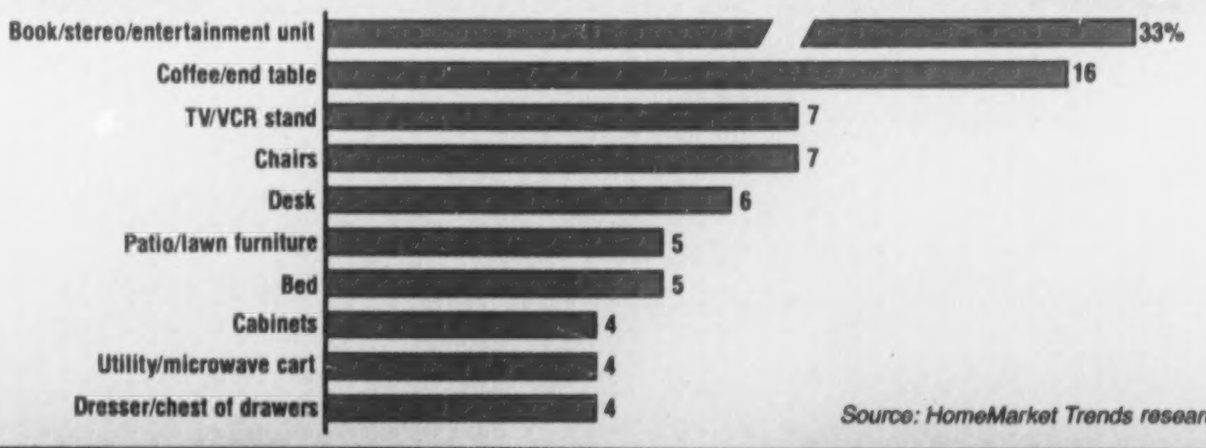
***Caldor, Turnersville, N.J.,** groups utility carts by suppliers like Gusdorf and Affordable on a single raised platform.* (HMT photo)

Consumers: Discounters Lead in RTA
Where would you shop for RTA?



Source: HomeMarket Trends research

Bookcases and Entertainment Centers Most Popular RTA
Top 10 Items consumers would shop for in RTA



Source: HomeMarket Trends research

Pros & Cons of
Shopping Discounters for RTA

Pros		Cons	
Good Price	61%	Poor Quality	21%
Better Selection	7	Have to Assemble	10
Convenience	5	Poor Selection	6
Good Quality	2	Missing Pieces	5
Easy Assembly	1	Less Durable	4
None	8	None	12

Source: HomeMarket Trends research

Discount Stores Dominate RTA

the exception of Home Depot and, to a lesser extent, Builders Square, home centers were not seen as furniture resources, particularly—but not exclusively—by women.

IKEA was the most frequently cited specialty store respondents would shop at if they were looking for RTA. At a meager 2% of total mentions, IKEA might not appear to be a real challenger, but in light of the Swedish chain's presence in only a handful of U.S. markets (Elizabeth, N.J., Southern California, Philadelphia, Pittsburgh, Long Island, Baltimore and Washington, D.C.), that mention rate is actually quite impressive.

As it stands, IKEA already is as dominant in RTA as the entire catalog showroom industry, another channel which has increased category square footage in recent years, a trend particularly true at Service Merchandise and Best Products.

In addition to these broad retail groups, there are other silent leaders of RTA retailing. More than one out of every ten people said the first place they would go to shop for RTA was a type of retailer that could not be classified as discounter, mass merchant, furniture store, home improvement center, warehouse club, catalog showroom nor as electronic superstore.

The majority of people most likely to shop for RTA at a discount store own their home (59%), earn between $20,000 and $30,000 each year (24%), have not graduated from college, but have taken some college courses, and are between 25 and 29 years of age.

The primary difference between a person who named a discounter instead of a furniture or specialty store as the place to buy RTA is age and, to a lesser extent, income. Consumers shopping RTA at furniture stores tend to be older, most often between 35 and 39 years of age.

While respondent income predictably plays a large role in attitude toward discounters at the lower end of the economic scale, it appears that more than just the Trumps shop Kmart.

Three out of four households could describe a specific RTA item they have seen, and an equal amount know where they would shop for RTA; most often a discounter.

For example, about one in ten people surveyed who were earning more than $70,000 in their household would refuse to shop a discounter. However, twice as many earning anywhere between $20,000 to $40,000 said they would not set foot in a discount store to purchase RTA.

Overall, people who rent their dwelling are more open to shopping a discounter.

The group most inflexible about going to a discounter to shop for RTA are those who fall into the "yuppy years" between 30 and 34 years of age.

And now for 1992's luxury models.

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Accent rugs of Trevira offer a 3-year limited warranty for stain resistance.

The solid bath rugs pictured above are from Newmark Rug Company. The patterned accent rugs are from Georgia Tufted.

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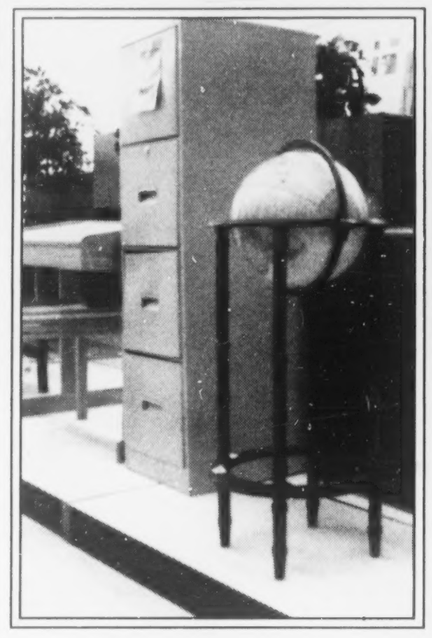
Discounters Are Tops in RTA

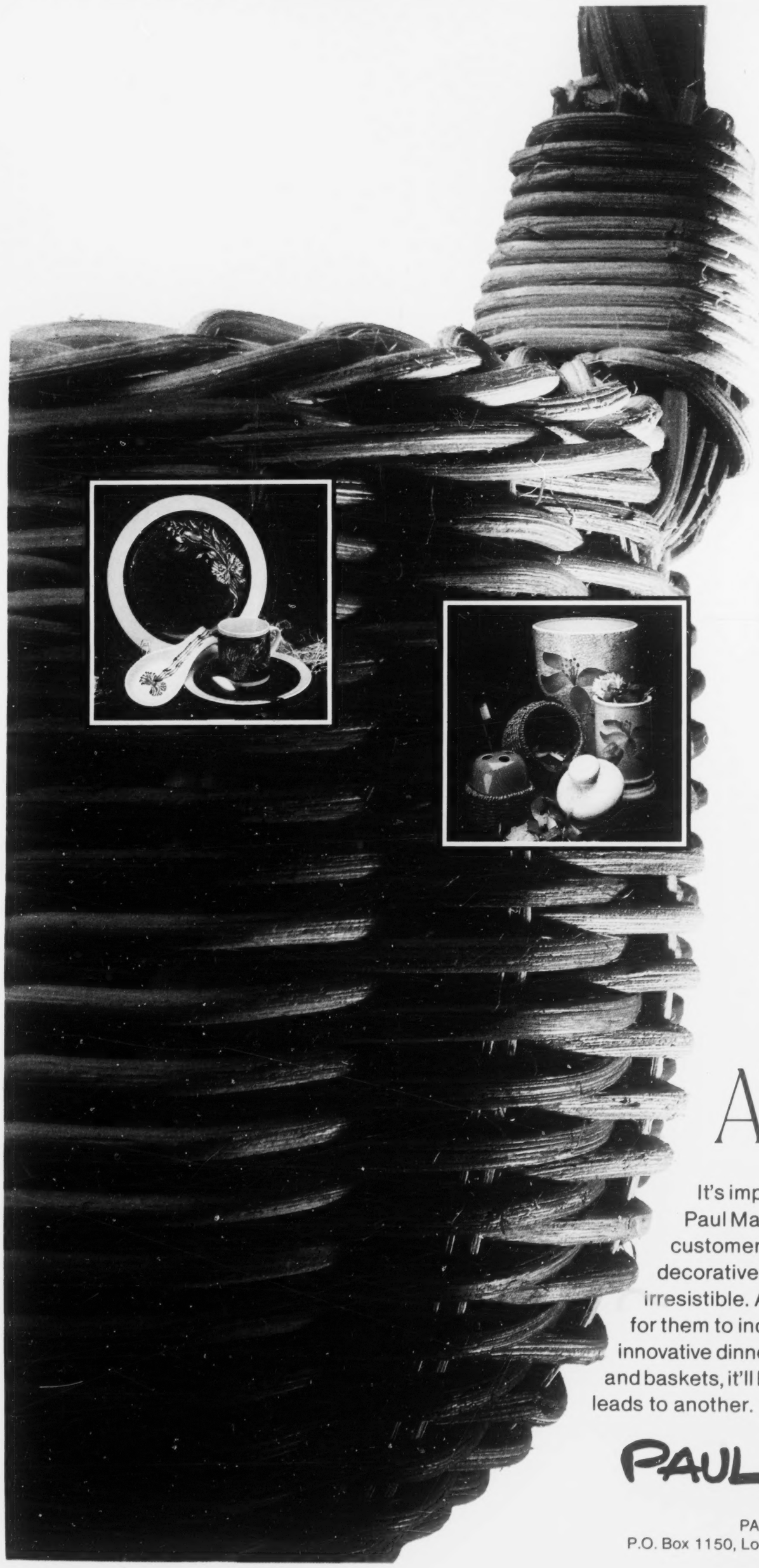
Thirteen percent of all those people who were surveyed who would not give discount stores a chance when shopping RTA were in that age bracket, with an equal split between men and women.

Price has historically been upheld as the great decision-maker in whether Jane consumer would shop at a discounter for furniture or at another retail outlet. However, more than half of the people who said that they would not shop a discounter acknowledged that the discounter does have good prices.

Women were more sensitive to the price advantage of discounters than were men (64% versus 58%), but men were more attuned to what they see as better selection and greater convenience at discounters.

Women—despite the age-old retailer concern for the female's ability to get large items they bought into the car—were less concerned than men about this element of the shopping experience.





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Women were more sensitive to the price advantage of discounters than were men, but men were more attuned to what they see as better selection and greater convenience at discounters.

While women didn't think getting the piece of RTA home was a big issue, they *were* concerned about what they would do with it once they got it home, i.e., assembly, but only by a small margin.

In-store assistance was more of an issue for men than for women, as were crowd conditions, return policies, and durability of the RTA purchased at a discount store. In fact, the survey hints at why women shop at discounters more avidly than men. Most women's concerns related to post-purchase matters—assembly, missing pieces and instructions—while men were worried more about the trials of the shopping experience rather than merchandise. ■

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ZMart, Miami: Former Zayre/Ames execs bring discounting back to the community. From left, Michael Ferguson, Thomas Witherspoon, Charles Howze, Joan Donaldson and John Kilby.

Ex-Ames Managers Reopen Miami Store

By Richard Halverson

MIAMI — Under the name ZMart, three ex-Zayre/Ames managers reopened in August a former Zayre/Ames store that serves a black and Hispanic community.

Located near the tough Liberty City section of Miami, the full line store offers 29,000 skus in 56,000 square feet of selling space, said Charles H. Howze, president and chief executive officer. Howze served 17 years at Zayre and then two years at Ames.

When Ames closed all 83 Florida stores last September, Howze was overseeing 24 units as south metro manager.

Does the Z in ZMart stand for Zayre? "Let people guess," Howze replied. "Zayre was more readily accepted in the black community than any other discounter." The closest discounter is a Kmart eight miles away, Howze said. Within a three mile radius of his store, ZMart draws on 53,000 households as a customer base.

A direct mail campaign to those homes is one of

(Continued on page 25)

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Chief Auto in LBO Debt Revamp — page 4

Costco Winner In Club Battle — page 3

Plus-Size Women's Jeans Get Boost — Apparel/page 13

Bradlees' Parent Primed For Debt-Reducing IPO

BRAINTREE, Mass. — Bradlees' supermarket parent, Stop & Shop, is scheduled to go public this week in order to pay off costly debt and boost its puny net profits.

The initial public offering will clean up the parent's balance sheet, reducing its long-term debt-to-equity ratio to $3 of debt for every $1 of equity from $13 to $1. But none of the extra capital from the IPO would go to Bradlees to help it get back on the expansion track or expedite its five-year remodeling plan.

Stop & Shop hopes to sell 17 million newly issued shares, or a 34% stake, at an estimated $15 per share and use all of the $240.2 million net proceeds to help call in notes that bear interest rates of 12½% and 13⅛%. To finish paying off the notes, it also would borrow $134.5 million more under its line of credit, which carries an interest rate of just 8.4%.

Bradlees

Owner: Stop & Shop Cos.
Headquarters: Braintree, Mass.
Sales for 1990: $1.77 billion
Operating Profits: $69.2 million
Number of Stores: 130
Average Size: 91,190 sq. ft.
Employees: 16,000

Source: DSN research

Including its 117-store supermarket division, Stop & Shop recorded net profits of $2.2 million last year on sales of $4.99 billion, following a $23.2 million net loss in 1989 on sales of $4.64 billion.

If the lower interest rates had been in effect in 1990, Stop & Shop would have paid $37.7 million less in debt interest, the IPO prospectus discloses. It would have earned $47.6 million pre-tax, instead of the actual pre-tax profit of $19.9 million.

Stop & Shop became highly leveraged in April 1988 when the investment firm of Kohlberg Kravis Roberts & Co. took it private in a $1.2 billion leveraged buyout after the Herbert Haft family made a run at it.

(Continued on page 26)

Wal-Mart Opens 56 in a Day

Discounter Debuts First Maryland, Delaware Units

By Laura Liebeck

BENTONVILLE, Ark. — Wal-Mart set a new single-day store opening record by unveiling 56 stores across the country Nov. 5. The discounter's previous highest grand opening total for a single day was 36.

Of the 56 stores, 31 were new stores, including two in Maryland and one in Delaware, the discounter's first foray into those two Middle Atlantic states. The rest are remodeled units.

The new market stores are located in Easton and Prince Frederick, Md., on the state's eastern shore, and in Milford, Del., about a half-hour east of Easton. All are within 90 minutes of Washington, D.C.

Both the Easton and Prince Frederick stores were built to the company's newest prototype, with wide aisles, bright lighting and a pharmacy. The Milford, Del., store is built to the older Wal-Mart format and is smaller, 72,000 square feet, compared to the 91,000-square-foot size of the Maryland units.

The opening of these three stores in previously uncharted territory for Wal-Mart further marks the discounter's march up the East Coast into the densely populated Northeast, a target area for the nation's No. 1 discounter.

Additional new stores for the outer fringes of the metropolitan Washington, D.C., area are

(Continued on page 26)

Zellers Building Specialty Division

By Mary Ellen Kelly

MONTREAL — Zellers is laying the groundwork for a network of specialty stores designed to serve Canadian shoppers whose needs are not totally met by either of its parent company's discount or department store divisions.

The model for Zellers' thrust, said president Paul Walters, is U.S.-based international retailer Woolworth, which successfully diversified from variety store roots.

(Continued on page 25)

Zellers, Greenfield Park, Quebec: *Power walls and mini-shops are among modifications being made at the 2-year-old prototype.* (DSN photo)

MARKETWATCH

Value City Splits Stock 2-for-1

COLUMBUS, Ohio — Value City, capitalizing on the 103% gain in its stock since it went public in June, has split its stock 2-for-1. On June 11, Schottenstein Stores, which still controls the chain, sold 3.75 million shares, or a 25% stake, for $19.50 a share. On Nov. 6, its stock closed at $39.63. For its first quarter ended Oct. 31, Value City reported an 18% sales gain from 56 stores to $158.8 million. Comparable-store sales rose 15.5%.

Waban Nets $73M on Stock Sale

NATICK, Mass. — Waban netted $73 million from the sale of four million shares of stock at $19 a share and will use the proceeds for expansion of its two warehouse operations, BJ's Wholesale Club, currently with 31 units, and HomeClub, with 73 home centers. Waban could net $10.95 million more from the sale of another 600,000 shares to cover underwriter over-allotments. The company expects the stock offering, along with a private placement of $60 million of seven-year 9.58% senior notes, to satisfy its capital requirements at least through January 1993.

Glass to Keynote IMRA Meeting

WASHINGTON — Wal-Mart chairman David Glass will deliver the keynote address at the International Mass Retail Association's Physical Distribution & Transportation conference Jan. 8-10 at the Hyatt Regency in Phoenix. IMRA also announced several new members have joined the fold. They are: Almances Exito, a Columbian food and general merchandise retailer; Indianapolis-based Auto Source; Omaha-based Half-Price Stores; Kinko's Service Corp., Ventura, Calif.; and New York Department Stores de Puerto Rico.

Brendle's to Refinance Debt Load

ELKIN, N.C. — Brendle's has obtained a $20 million term loan and a $49 million revolving credit facility from its three major lenders, Wachovia Bank and Trust Co., First Citizens Bank and Trust Co., and First Union National Bank of North Carolina. The funds will be used to refinance existing debt and finance general corporate purposes and ongoing working capital needs.

BizMart Franchises Computer Depts

ARLINGTON, Texas — BizMart, through its rapidly expanding computer department superstore and Mega-Center formats, is now franchising the operation of the computer departments to Intelligent Electronics' franchisees. (Intelligent Electronics acquired BizMart last June.) So far, 22 BizMart stores have franchisees operating the computer department.

OfficeMax to Open 7 Boston Stores

CLEVELAND — OfficeMax said that it will open seven stores in the Boston market during the first half of 1992, directly challenging Staples on its home turf. In addition, OfficeMax will enter the Long Island, N.Y., and Atlanta markets next year. The chain will also open units in Natick, Seekonk, Somerville, and North Darmouth, Mass., plus one nearby in Warwick, R.I. The Natick and Somerville locations are former Highland stores and require complete renovation.

FOR THE RECORD

Stuart Hall, the Kansas City-based supplier of school and office products, ranked eighth among stationery brands preferred by consumers in *DSN's* annual Top Brands Study. Its name was inadvertently misspelled in a chart accompanying the story. Also, men's apparel supplier Williamson-Dickie was misspelled in a chart on top men's brands.

A typographical error in the Oct. 21 issue of *DSN* put Toy Liquidators' store count at 11. The chain has 110 units.

The inaugural trade show of the School and Home Office Products Association (SHOPA) will be held Dec. 11 to 14 in New Orleans. *DSN* inadvertently printed the wrong dates.

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Jamesway Hires Ex-Ames Chief

Hollis to Oversee Key Areas at Discounter

SECAUCUS, N.J. — Jamesway named Peter H. Hollis, former president and chief executive officer of Ames, to a new position: executive vice president, merchandising, advertising and store operations.

Hollis resigned from Ames April 30, 1990, four days after the chain declared Chapter 11 bankruptcy. He had been employed as an independent consultant since then.

Before joining Ames in July 1986 as president and chief operating officer, Hollis had served as president and ceo of Fisher's Big Wheel.

Ames appointed him as its chief executive officer and president in September 1987.

At Jamesway, the position of president and coo has remained vacant since the resignation in June 1990 of Arlie Lazarus. Chairman Herbert Fisher assumed those duties following the departure of Lazarus after 22 years, including 12 as president.

Following the closing of 11 stores this March, Jamesway operates 121 units.

Peter Hollis

Newell Set to Invest in Stuart Hall

FREEPORT, Ill. — Newell, a diversified manufacturer of home-related products, has agreed to invest $10.5 million in Stuart Hall, a Kansas City-based supplier of mass market stationery products.

Stuart Hall will use the money to fund the company's expansion plans for the next two to three years, said Charles Hanson, chairman.

Under the terms of the agreement, contained in a Letter of Intent, Newell will buy 750,000 shares of Stuart Hall Series B 7¾% Cumulative Convertible Preferred Stock at $14 per share. The Series B preferred shares are convertible into Stuart Hall common shares on a one-for-one basis.

A formal agreement between the two companies must be approved by the board of directors of each company. Stuart Hall has appointed a special committee of outside directors to evaluate the proposed transaction.

The Newell/Stuart Hall agreement was announced Oct. 16. In addition to the stock sale, the agreement includes some cross-options, exercisable by the end of 1994, that could lead to greater ownership by Newell.

The options, signed by Newell and Hanson, would allow Newell to purchase and sell about 900,000 shares of Stuart Hall stock owned by the Hanson family should Hanson die or become disabled. Valuation of the shares will be tied to a formula.

The agreement with Newell is not the only money raising activity Stuart Hall has worked on in 1991.

In June, Stuart Hall raised $6.75 million by selling 500,000 shares of its Series A 8¾% Convertible Preferred stock, valued at $13.50 per share, to Grupo Chihuahua, a major Mexican holding company with large pulp and paper interests in Mexico.

The deal calls for Stuart Hall to be a major marketer of Group Chihuahua's Ponderosa papers in the United States.

Chase Manhattan Bank, N.A., was the investment banker in the private placement of the shares to Grupo Chihuahua.

Legal Tangles Spread in TV Product Biz

LOS ANGELES — The recent seizure by U.S. marshals of some 500 pieces of a thigh exercising device at the Los Angeles County Fair illustrates the growing enmity between suppliers of one of the hottest growth categories at discount stores this year.

Acting under a preliminary injunction granted in U.S. District Court of California to Ovation Communications, maker of the Thigh Master exerciser, the marshals also seized more than 20,200 units of the similar Thigh Magic item from the Van Nuys offices of AP Products.

"We are extremely encouraged by this restraining order and seizure order and subsequent preliminary injunction, which will cause other product manufacturers to think twice before copying our design," said Peter Bieler, president of Ovation.

Many retailers have taken to calling these products—which include such success stories as stomach flattening exercise equipment, triple-edged auto wiper blades, steam irons and teeth whiteners—"as seen on TV products." They are referring to how the products were first introduced to consumers via late night, 30-minute "infomercials" or 30-second TV spots featuring a toll-free number for viewers to call to order their new "not sold in any stores" product.

Ovation also has a separate lawsuit with another "as seen on TV" supplier, Telebrands.

Thigh Master appears to be making a successful transition to retail outlets. While direct response sales, at $19.95 for each Thigh Master, remain strong, the company completed a retail test in May and has already received orders for the product from such chains as Herman's and Oshman's, Bieler said. He added that negotiations are underway with major discounters, including Target, Wal-Mart, Kmart, Caldor, Jamesway, Rose's, Venture and others. Bieler expects to sell 4 million units at retail over the first 18 months.

Ovation spent between $9 million and $10 million advertising Thigh Master in 1991, on TV and in print magazines like *Parade* Sunday supplements. Because of high profile ad campaigns like that, "as seen on TV" products like Thigh Master can be big sellers for discounters, especially during the holiday season.

However, as suppliers step up the frequency of legal challenges to competitors' patents, and file suits for trade dress and other real or perceived infringements, retailers must also exhibit caution before taking on a line. If a retailer unknowingly deals with a "knockoff" brand, he "could place an order and never receive delivery because the shipment was seized," Bieler pointed out.

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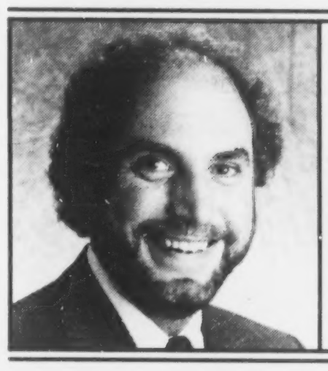
EDITORIAL

Gospel of Leadership, According to Glass

When Wal-Mart president and ceo David Glass delivered his keynote speech during Texas A&M University's Center for Retailing Studies Symposium held recently in Dallas, he made national headlines with the following predictions:

- Wal-Mart sales would hit $44 billion this year; $56 billion in 1992; exceed $100 billion by 2,000
- with associates climbing from 350,000 to 1 million companywide;
- Wal-Mart alone next year would generate more sales than the entire department store industry;
- Power centers, comprised of large discount specialty retailers will replace regional malls;
- Half of today's retailers would not be around by decade's end.



TONY LISANTI
Editor

Unfortunately, the consumer press overlooked the essence of Glass' speech about the qualities of leadership, choosing instead to play up his predictions made in a five minute Q&A session. So here's the gospel of leadership, according to Glass.

"To be a good leader," he said, "you first have to be a good servant. Distinguish between being a boss and a leader."

1. *Vision.* 'I have a dream' approach inspires people.
2. *Good communicator.*
3. *Inspire trust.*
4. *Positive self-regard.* If you don't think much of yourself, others won't either.
5. *Cultivate mavericks.* Miss a real bet if you don't.
6. *Be innovative.*
7. *Never be satisfied.*
8. *Willingness to fail.*
9. *Very low resistance to change.* If it ain't broke, soon it will be.
10. *Sense of urgency.* Like the oak tree, climb it or stand on a acre and wait for it to grow.
11. *People-oriented.*
12. *Great integrity.*
13. *Grassroots philosophy.*
14. *Be a generalist.*
15. *Entrepreneurial instincts.*
16. *High expectation levels.* No superstars . . . just very ordinary people that encourage us.
17. *Competitive spirit.*
18. *Push down decision-making process.*
19. *Dare to dream.*
20. *Dare to be different.*

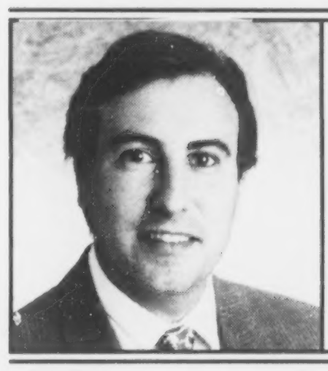
Amen, David.

BUYERS & SELLERS

Resist Pre-Christmas Price Promotions

At this time of the year, retailers are scrambling more than usual to salvage with a decent Christmas what has been a lackluster year.

Toys "R" Us, Child World, Bradlees, Sam's Club and others were actively soliciting holiday customers as early as late October. A recent poll of 21 of the nation's largest retailers, conducted by Mitsubishi Bank, found 57% of retailers expecting Christmas sales will be better this year than last. That optimism was tempered by a realistic expectation that the nation's economic problems place at risk their chances of achieving even their modest hopes for Christmas sales. Even if the economy perks up between now and Christmas, expectations are not high. One retailer told Mitsubishi's pollsters: "Last Christmas was very, very slow, so *better* [still] is not very good."



DON LONGO
Exec Editor

As *DSN* reported in its last issue ("A Christmas Not Even the Grinch Would Love," page 1, Nov. 4), nearly half of the nation's consumers plan to spend less on Christmas presents this year than they did in 1990. An article in the *Wall Street Journal* noted that the days of selling anything at full price during the Christmas season may be over as consumers have become conditioned to wait for pre-Christmas sales.

With more Christmas buying occurring later in the season, it's understandable that retailers are worried this year. Even though discounters in the Mitsubishi survey were more upbeat than most other chain store executives, they still felt that keeping a lid on pre-Christmas discounting was their major challenge of the season.

So, how are they meeting that challenge? By running more sales, even earlier than they did last year, of course. Makes a lot of sense, doesn't it?

There's a conference this month that will be well worth your time to attend. It's IMRA's Store Design Conference in Miami, Nov. 20 to 22. There'll be an important session on the new Americans with Disabilities Act and its effect on retailers. Call 202-861-0774 for more information.

DSN is also publishing a two-part series on the new law to help retailers conform to the ADA's anti-discrimination provisions. The series begins in December.

TAKING STOCK

Electronic Marketing Tools Expected to Grow

In case you haven't noticed, the use of electronic marketing devices has been steadily growing, with deployment of this technology likely to explode in the next few years.

This growth has occurred with little fanfare due to two factors: the broad range of devices and their functions, and the lack of an organization like a trade association that tracks use of this fast evolving technology.

At one time Touche Ross provided some measure of the electronic retailing industry, but the accounting and consulting firm stopped doing so when it merged with Deloitte, Haskins & Sells to become Deloitte & Touche. Now Marketplace 2000, a new consulting firm founded by former Touche Ross executive Cynthia Cohen Turk, has taken up the challenge.

ARTHUR MARKOWITZ
Senior Editor

The scope of the technology is evident from the firm's recent initial report, which was based on a survey of retailers that operate over 25,000 stores—8,000 general merchandise units, 2,000 supermarkets and 15,000 fast-food outlets—and analysis usage by each segment. A dozen specific systems were cited by retailers, ranging from self-checkouts (used by 1% of the respondents), frequent buyer programs (4%), interactive devices (8%), kiosks (13%), electronic billboards (15%) and video monitors (24%). The study noted that retailers frequently use more than one in-store device.

The desire to boost sales drives the use of all applications, but other considerations were cited for specific systems. Improving image was noted for video monitors, reducing labor costs for kiosks and raising ad revenues for in-store radio. Each technology also provided specific benefits: Advertising and product information for electronic billboards; product and directory information for interactive devices; and entertainment and product information for video walls.

The study noted that more than 70% of the respondents expected use of electronic marketing tools to grow. But it cited two drawbacks: A retailer's attitude, rather than its size, "appears to be the determining factor" in using this technology, and "knowledge about the industry is limited to a few individuals" in a company.

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Executive Editor Donald Longo
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Art Director Milt Berwin
Graphic Artist Angela Fontana

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
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Manager, Correspondent Kenneth Rankin
Correspondent, Deane Evans

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617-527-6394
Regional Manager James Malver
Office Manager Angela Ftaras

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
Area Manager Dave Tuttle
Office Manager Deborah Bambao

Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
District Manager Bruce Smith
Area Manager Cheryl Kilberg
Office Manager Beverly Wendtland

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Area Manager Jeffrey Larssen
Office Manager Maureen Jackson

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

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H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Slanting Toward Discounters

Mass Merchants Gain Share in H&BC; Dollar & Unit Sales, Turnover Improve

By Jill Lettich

Mass merchandise chains significantly outdistanced drug stores and food chains in health & beauty care product sales growth in 1990.

In fact, a steady growth trend in the mass market tier over the past few years has put mass merchandisers in a class by themselves in Nielsen Marketing Research's just-released 1991 Review of Mass Merchandiser Trends.

For 1990, H&BC sales for mass merchandisers reached $6.4 billion, according to Nielsen. That was an 8% increase from 1989, more than double the percentage sales increases reported for drug stores (3.5%) and food stores (1.9%).

In addition, mass merchandisers have captured a 20.7% share of H&BC dollar sales for the first six months of 1991. In all of 1989, the discount tier accounted for only 18.3% of all H&BC dollar sales.

Nielsen is a Chicago-based research firm specializing in the H&BC market. This is the second year it has created a separate report on the category for mass merchandise retailers. The study was released exclusively to *DSN*.

The success of H&BC in the mass market has little to do with people spending more money. It has to do with a shift of H&BC dollars away from drug stores and to discounters, which make up the bulk of mass merchandise chains studied in the Nielsen's 1991 Review of Mass Merchandiser Trends.

Overall, Neilsen has painted a gloomy, or at the very least, stagnant, picture of the economy for 1990 and the first half of 1991. Most indicators portray an economy in trouble. Gross personal income was up 3% for the first few months of 1991, but real disposable income dropped 2% in the same period. The unemployment rate hit an all-time high of 7.2% in February, went down slight-

(Continued on page 18)

***Discounters like Target,** Columbus, Ohio, are taking H&BC dollars away from drug stores.* (DSN)

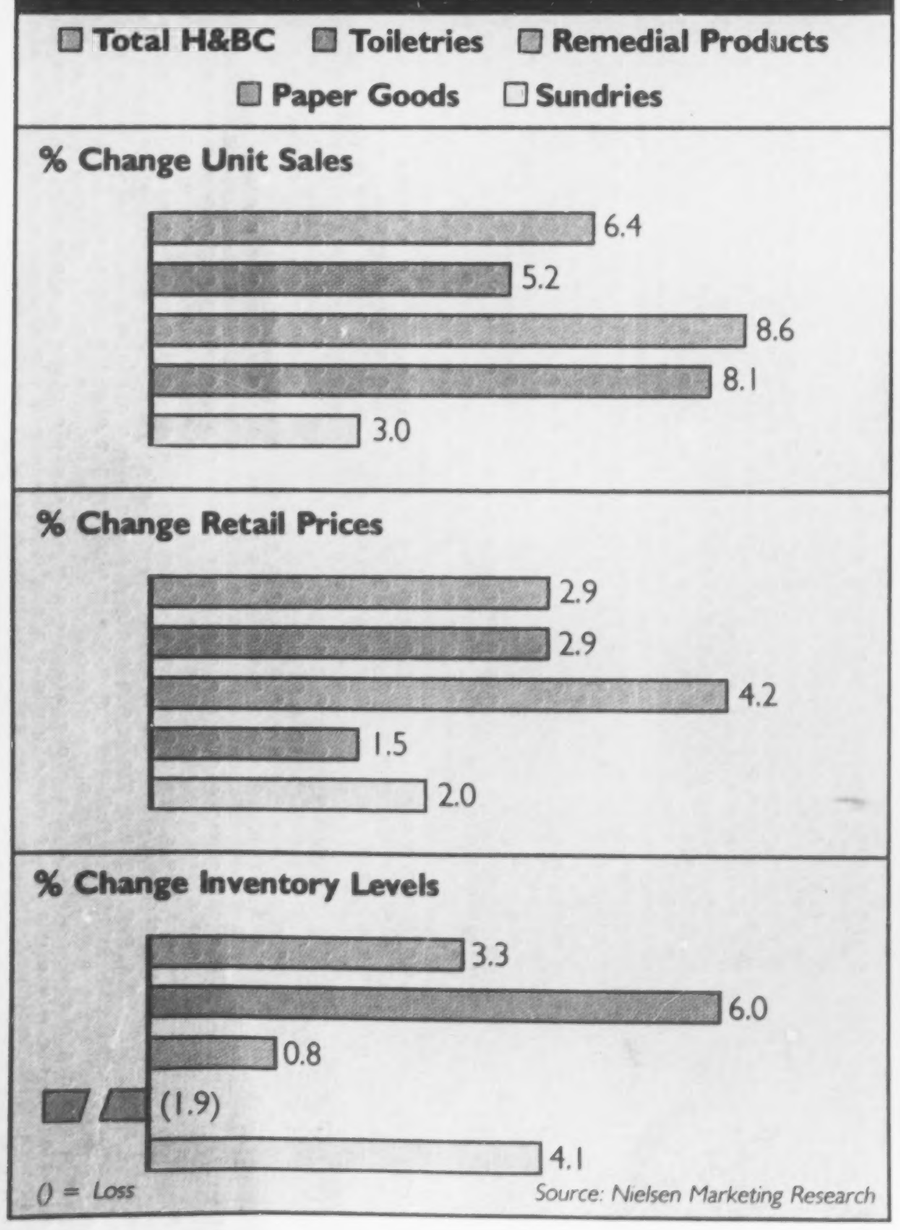
H&BC Trend Report:

- **Mass merchandisers now own a 20.7% share of total dollar sales of health & beauty care items.**
- **H&BC dollar sales for 1990 increased 8% for discounters compared to a total retail H&BC decrease of 3.7%.**
- **Discounters have a 20.6% share of disposable diaper sales, more than 10% more than that of drug stores.**
- **The highest turnover rates recorded at mass merchandisers were for paper products and cold/cough/flu remedies.**
- **Skin care products and analgesic/digestive remedies had unit sales increases of more than 10% at mass merchandisers.**

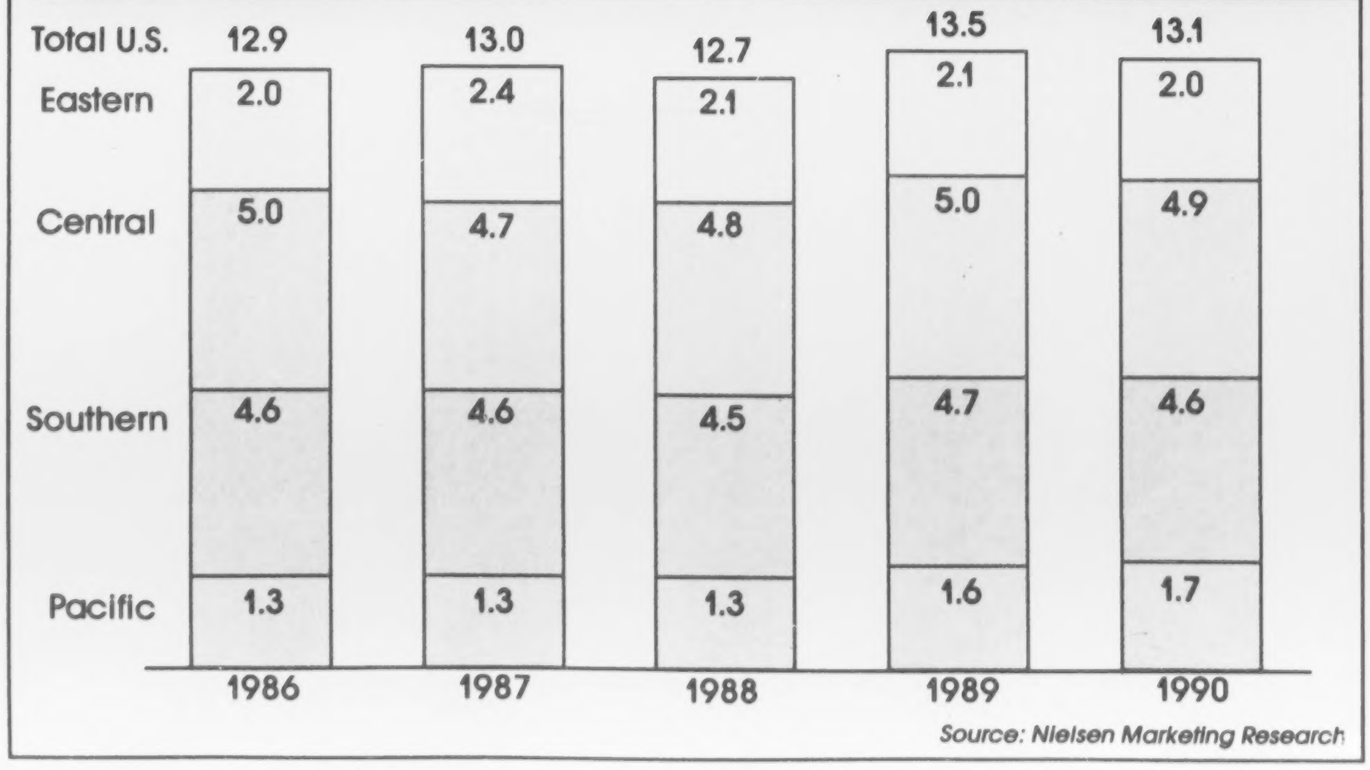
Methodology

Nielsen identifies mass merchandisers as presenting a discount image, having 10,000 square feet or more of selling area and handling at least three merchandise lines. The universe of stores Nielsen used for this survey totals 6,408. This includes Kmart, Wal-Mart, Target and a number of regional chains. This number is only a partial representation of *DSN*'s discount store estimates. For a comprehensive look at the major mass merchants, refer to *DSN*'s annual industry reports, in this year's July 22 and Aug. 5 issues.

Key H&BC Trends at Mass Merchandisers
(First Six Months 1991 vs. First Six Months 1990)



Growth of H&BC Selling Area at Mass Merchandisers
(In Million Square Feet)



H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Discounters Tops in H&BC Sales Growth

(Continued from page 17)

ly, but still hovered at 6.9% in August.

Although mass merchandisers have also suffered through this economic drought, the news for the H&BC category is mostly good for the discount tier. Comparisons of mass merchandisers, drug stores and food stores—where H&BC is sold in highest volumes—show a market in flux.

In 1989, some growth experienced by discount chains could be attributed to an increase in the number of discount stores included in Nielsen's study and to a growth in square footage discounters devoted to H&BC products.

In 1990, more efficiently run H&BC departments fueled sales growth by mass merchandisers. The number of mass merchandiser units considered for this survey by Nielsen actually decreased by 4%. The number of mass merchandise units included totaled 6,408 in 1990, compared to 6,681 in 1989.

H&BC square footage of selling space in mass merchandisers dropped 1.3% in 1990. In the United States, H&BC square footage of selling space was 13.1 million in 1990, compared to 13.5 million in 1989.

The number of mass merchandise outlets with pharmacies was virtually unchanged between 1989 and 1990, at 2,682. Pharmacies had their largest growth spurt in 1987, when their number increased by 14% at mass merchants.

The decrease in all these areas was felt most in the South. The Pacific region showed the largest gains in the number of units, pharmacies and in H&BC selling areas in mass merchandisers specifically.

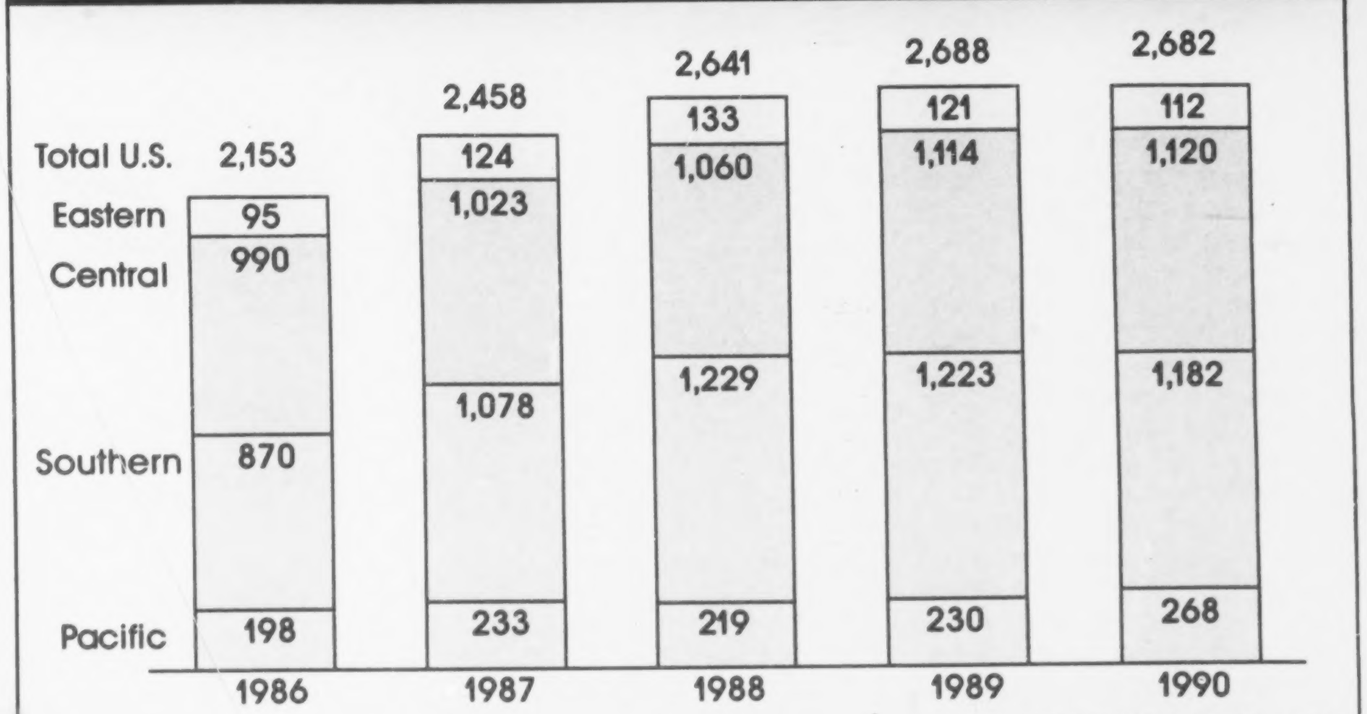
Mass merchandisers overcame these numbers, and came out ahead in the health and beauty care category.

According to Nielsen, dollar sales for health & beauty care products increased 3.7% in 1990 vs. 1989, compared to the 8% increase recorded by mass merchandisers for the same period. In the first six months of 1991, dollar sales increased 2.5% overall from the same time frame in 1990. For the first six months of 1991, mass merchandisers' dollar sales increased 9.2% from that time, a year earlier.

The numbers were equally slanted toward mass merchandisers in specific categories. The best performers overall, according to Nielsen, were external remedial products. In the first six months of 1991, that category increased 6% in drug, food and discount

(Continued on page 21)

Growth of Prescription Departments at Mass Merchandisers
(Total Outlets)



Source: Nielsen Marketing Research

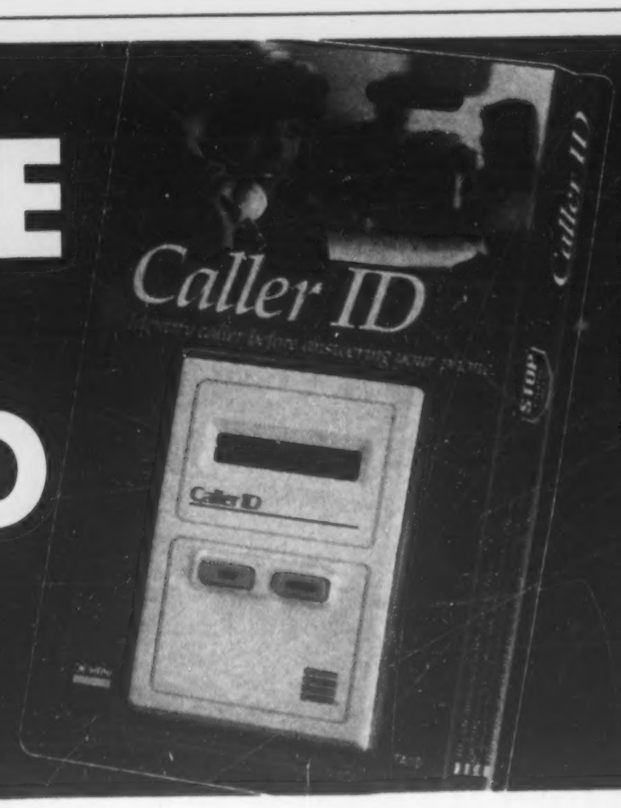
Mass Merchandisers Pick Up Speed in Health & Beauty Care Products
(Total U.S. Dollar Sales Trends)

	Mass Merchandisers			Drug Stores			Food Stores		
Category	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**
Total H&BC	$6,363	7.9	9.2	$12,601	3.5	0.6	$13,905	1.9	1.3
Total Toiletries	3,367	5.9	8.0	6,659	3.7	(0.7)	5,834	2.2	(1.0)
Men's Products	365	8.9	7.7	694	2.1	1.8	611	3.2	2.8
Skin Care	429	4.2	13.1	1,057	5.1	(1.0)	660	5.4	0.4
Hair Care	1,042	5.6	6.3	1,587	2.9	(2.7)	1,699	0.0	(3.4)
Oral Hygiene	558	5.1	8.9	813	3.6	1.0	1,482	2.9	0.7
Color Cosmetics	375	3.3	8.5	1,140	5.7	(1.3)	367	5.4	(3.0)
Selected Remedial Products	597	8.1	6.0	1,367	2.8	0.1	1,014	1.2	(1.9)
Total Remedial Products	1,544	9.5	12.7	4,683	3.6	2.0	4,035	4.3	3.9
Cold/Cough/Flu	307	14.9	14.1	1,222	4.9	3.1	1,139	4.2	6.2
Analgesics/Digestive/Others	904	8.8	14.9	2,587	2.7	1.4	2,353	3.3	2.6
External	333	6.9	5.1	874	4.7	2.4	543	8.7	4.2
Total paper goods (Includes Diapers, Sanitary Products and Pre-moistened Towelettes)	990	8.7	9.6	816	3.2	3.5	3,427	0.0	0.1
Total Selected Sundries (Includes Batteries, Insect Repellents and Flea Collars	463	17.3	5.0	443	(0.6)	(1.7)	608	(4.2)	12.2

( ) = Loss

Source: Nielsen Marketing Research

A PACKAGE WORTH A THOUSAND WORDS.



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H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Slanting Toward Discounters

(Continued from page 18)
stores altogether from 1990. At drug stores specifically, this category increased by 4.7%. Food stores increased 4.2%. Discounters increased 6.9%. The same pattern was repeated often for both 1990 figures and for the first six months of 1991.

Only color cosmetics showed a larger increase at drug stores (5.7%) than at discounters (3.3%) for 1990. But in the year's first half, mass merchandisers' sales accelerated, increasing by 8.5% in color cosmetics, compared to a decrease at drug stores of 1.3%. At food stores, sales of color cosmetics decreased by 3% during the first six months of 1991.

Paper was another category where discounters have been getting very aggressive. Diapers, especially, has been a discount growth area, as these products move from grocery store shopping lists to discount store lists. Now, more and more people seem to be considering discounters as the destination for diaper purchases.

Even more telling are the weighted unit sales trends in the H&BC category. Overall, unit sales reported by Nielsen for all retail tiers dropped 1% for 1990. It's very different in mass merchandise, however.

According to Nielsen, unit sales at mass merchandisers for H&BC products increased in every category and was up 5.3% overall for the tier. Skin care products, and analgesic and digestive remedies both had unit sales increases of more than 10% at discount stores for the first half of this year.

One problem that food stores and drug stores faced, adding to a weak showing in the survey, was inventory management.

Drug stores succeeded in reducing their inventory levels, but that did not make up for the loss in sales. Likewise, food stores managed to decrease inventory levels in many categories. But they, too, were unable to keep up with lost sales.

Mass merchandisers, on the other hand, showed an increase in inventory levels, but the larger inventory was justified by the healthy sales increases recorded at this tier.

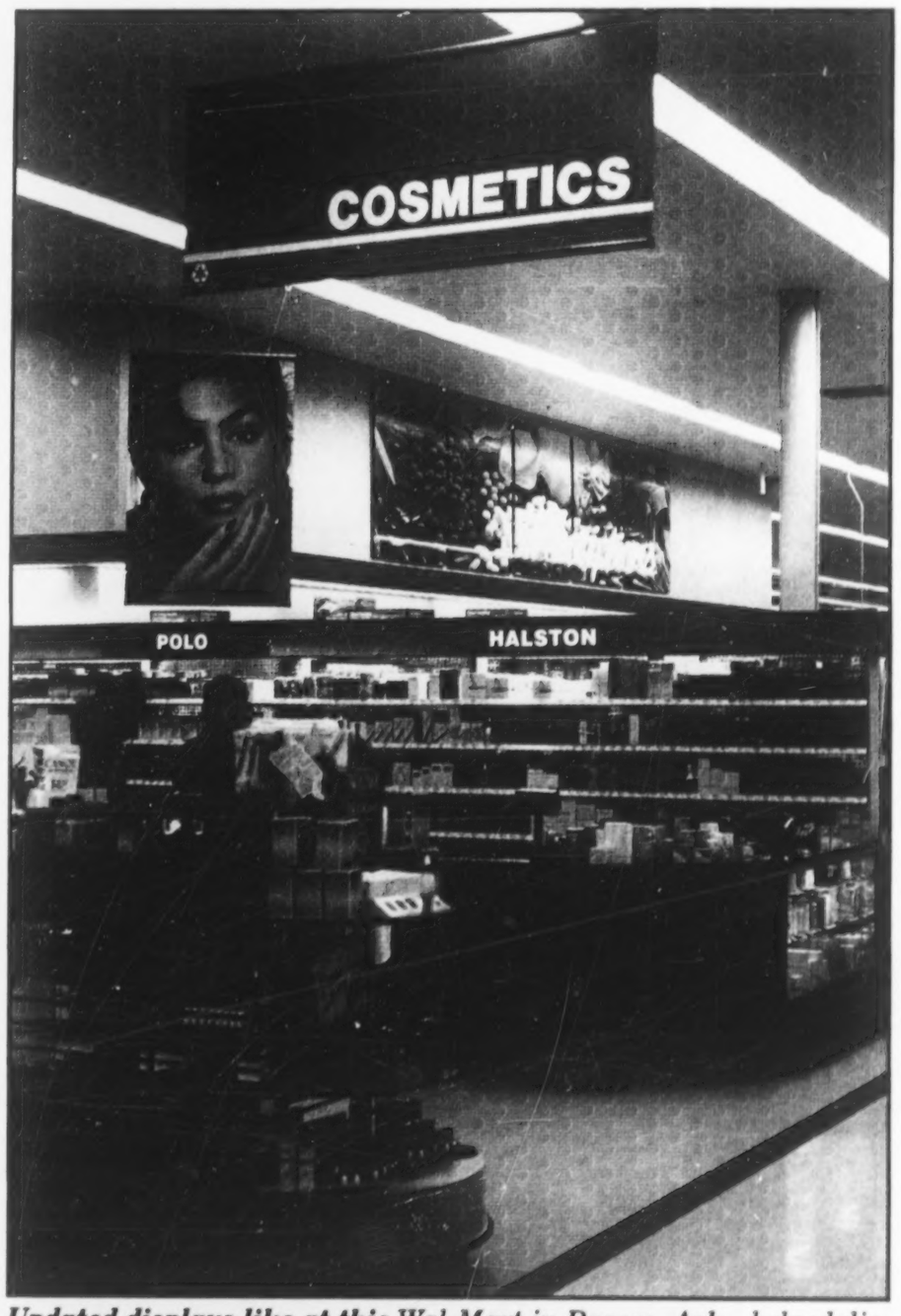
For example, Nielsen reported mass merchandiser unit sales for cold, cough and flu products increased 8.4% for the first six months of 1991, compared to the same period in 1990. At the same time, inventory levels for this category decreased 2.8%.

According to Nielsen, the annual turnover rate for H&BC at discounters is 9.9, compared to 4.6 for drug stores. It remains high for food stores, as well, which in 1990 had an annual turnover rate of 9.8 for H&BC products. This, however, was a 4% decrease from a year earlier for food stores.

Two product categories had very high turnover rates at discount stores. Paper goods increased 10%, due primarily to diapers, as the turnover rate increased from 18.5 to a 20.1. Cold, cough and flu remedies increased 11.5%, going from a turnover rate of 8.2 to 9.1.

More specifically, all these positive reports resulted in a *(Continued on page 22)*

***Target Greatland,** Columbus, Ohio: Diaper sales increased at the mass merchandise level at the expense of drug stores.* (DSN photos)



***Updated displays like at this** Wal-Mart in Rogers, Ark., helped discounters increase unit sales in color cosmetics in early '91.*

Market Share of Selected H&BC Category Dollar Sales (6 mos. '91 vs. '90)

Category	Mass Merchandiser %	Drug Stores %	Food Stores %
Hemorrhoid Preparations	46.4	36.4	17.2
Home Wave Kits	37.0	45.2	17.8
Batteries	34.1	27.1	38.8
Hair Color	29.5	51.5	19.0
Hair Fixatives	28.1	29.2	42.6
Mousse	27.8	30.5	41.7
Baby Oil	27.7	31.0	41.3
Soft Contact Lens Solutions	27.0	43.6	29.4
Deodorants	25.1	26.8	48.0
Shampoo	24.5	27.4	48.1
Aftershave Lotion/Cologne	24.2	58.4	17.2
Feminine Douches	23.7	38.7	37.6
After Shampoo	23.7	35.1	41.2
Cotton Swabs	22.9	25.6	51.5
Blades and Razors	22.9	29.6	47.5
Ethnic Hair Preps	22.5	58.4	19.1
Shaving Cream	22.2	29.0	48.8
Mouthwash	22.0	29.1	48.9
Color Cosmetics	21.4	59.8	18.8
Hand and Body Lotions	21.3	43.5	35.2
Suntan Lotions and Oils	21.2	49.4	29.4
Face Creams and Lotions	20.9	55.3	23.8
Disposable Diapers	20.6	10.5	69.0
Toothbrushes	20.5	33.9	45.6
Dentifrice	20.4	22.3	57.3
Sanitary Protection	18.4	25.0	56.5
Depilatories	18.4	58.0	23.6
Laxatives	17.3	55.0	27.7
Stomach Remedies/Antacid	16.9	39.8	43.4
Internal Analgesics	16.1	35.8	48.1
Sinus Remedies	15.9	38.1	46.0
Vitamins	15.7	54.1	30.2
Foot Remedies	15.4	57.3	27.2
Topical Hydrocortisones	14.9	57.1	28.0
External Analgesics	14.1	59.8	26.1
Acne Remedies	14.0	44.6	41.5
Cold Remedies	13.8	41.8	44.4
Early Pregnancy Test	12.8	63.8	23.4
Diarrhea Remedies	11.9	42.9	45.1
Cough Drops	10.4	40.5	49.1
Throat Lozenges	9.0	48.0	43.0

Source: Nielsen Marketing Research

Mass Merchandisers Lead in Inventory Turnover

Total U.S. — Weighted Annual Inventory Turnover Rate

	Total H&BC (Food/Drug Mass)				Mass Merchandisers			
	1990 Annual Turnover	% Change '90 vs. '89	6 Mos. '91 Annual Turnover	6 Mos. % Change '91 vs.'90	1990 Annual Turnover	% Change '90 vs. '89	6 Mos. '91 Annual Turnover	6 Mos. % Change '91 vs.'90
Total Health and Beauty Care	7.5	0.0%	7.4	(0.8%)	9.9	6.9%	10.4	3.5%
Total Toiletries	6.1	1.2	5.9	(3.2)	8.5	4.0	8.7	(0.1)
Men's products	6.4	1.4	6.2	(4.2)	8.6	2.2	9.0	(4.1)
Skin Care	5.2	0.5	5.1	(3.7)	7.1	2.9	6.9	(5.4)
Hair Care	6.7	0.3	6.4	(3.7)	9.3	4.1	9.4	1.4
Oral Hygiene	8.4	1.9	8.2	(2.1)	11.1	4.1	11.4	2.7
Color Cosmetics	2.6	2.3	2.5	(6.6)	3.3	1.3	3.4	(2.7)
Selected Remedial Toiletries	5.7	1.4	5.4	(0.1)	9.2	5.6	9.7	3.0
Total Remedial Products	6.1	0.9	6.3	1.4	8.3	4.6	9.0	8.0
Cold/Cough/Flu	5.5	(2.3)	6.2	3.7	7.5	1.3	9.1	11.5
Analgesics/Digestive/Other	6.2	2.9	6.3	0.6	8.4	9.3	9.1	8.0
External	6.2	(1.2)	6.0	3.8	8.6	(4.3)	8.7	2.1
Total Paper Goods	14.6	(3.7)	14.7	0.8	18.4	5.7	20.1	10.4
Total Selected Sundries	6.0	2.8	6.1	1.6	6.9	12.7	7.0	(1.1)

( )= Loss

Source: Nielsen Marketing Research

Exclusive to Discount Store News.

DISCOUNT STORE NEWS, November 18, 1991

H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Mass Merchandisers Lead in H&BC Sales

(Continued from page 21)
number of H&BC products gaining market share at discount stores at the expense of both drug and food outlets.

For instance, mass merchandisers had a larger market share in sales of hemorrhoid preparations than food and drug stores. Disposable diapers and batteries had a larger share of sales at mass merchants than at drug stores. And color cosmetics, ethnic hair care products, aftershave and cologne, hair color and home wave kits had a larger market share at discounters than in food stores.

Drug stores have the advantage of selection to attract consumers and need to keep more in the stores. Mass merchandisers are likely to have fewer skus, but ones that result in better margins for H&BC products.

Though the news seems all good for mass merchandisers in this latest Nielsen survey, caution is recommended. The economy is still weak and is affecting all retail tiers.

In addition, mass merchandisers may be looking over their shoulders sooner than they think. Though they still have a way to go, drug stores are streamlining their operations—as shown by decreasing inventory levels in this survey. Greater efforts by drug stores may impact mass merchandisers in next year's survey.

Mass Merchandisers Sizzle With H&BC Products

Dollar Sales Increases Greater Than 15%
- External Analgesics
- Sinus Remedies
- Diaper Rash Creams
- Batteries
- Foot Remedies
- Throat Lozenges
- Early Pregnancy Tests
- Cold Remedies
- Sleeping Tablets
- Women's Fragrances

Dollar Sales Increases Between 10% and 15%
- Blades and Razors
- Cough Syrup
- Denture Adhesives
- Vitamins
- Toothbrushes
- Diarrhea Remedies
- Baby Bath
- Stomach Remedies/ Antacid
- Face Creams/Lotions

Dollar Sales Increases Between 5% and 10%
- Ethnic Hair Preps
- Topical Hydrocortisones
- Pet Flea Collars
- Disposable Diapers
- Acne Remedies
- Hair Color
- Internal Analgesics
- Baby Powder
- Dental Floss
- Sanitary Protection
- Eye Drops and Lotions
- Arthritic Remedies
- Shampoo
- Laxatives
- Cough Drops
- After Shampoo
- Chapped Lip Preps
- Deodorants
- Face Makeup
- Cotton Swabs
- Dentifrice
- Bath Products
- Lip Makeup
- Aftershave Lotion/ Cologne

Dollar Sales Increases 0 to 5%
- Hand and Body Lotions
- Pre-moistened Towelettes
- Nasal Spray
- Feminine Douches
- Soft Contact Lens Solutions
- Baby Lotion
- Mousse
- Mouthwash

No Dollar Sales Growth/Sales Decline
- Men's Hair Preps
- Women's Contraceptives
- Eye Makeup
- Home Wave Kits
- Depilatories
- Nail Color
- Denture Cleansers
- Hair Fixatives
- Talc/Dusting Powder
- Shaving Cream
- Suntan Lotions/Baby Oil
- Insect Repellents
- Dieting Aids

Source: Nielsen Marketing Research

Most Retailers Think Newspaper Isn't As Glamorous As TV.

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Newspaper. It's The Best Way To Close A Sale. Source: Response Analysis Co., 1976.

For more information on how newspaper can help you close the sale, call Jim Wilson at (212) 704-4503.

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THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

VOL. 30, NO. 23

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Target Issue, $25
December 9, 1991

THE GREAT LANDING OF TARGET

Utilizing its Greatland prototype, a new 'small market' format, and larger standard discount stores cut from the Greatland mold, Target will double its size by 1996. This special DSN study celebrates Target's recent 22-store grand opening day and examines the challenges it faces in the years ahead.

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MARKETWATCH

Wal-Mart to Vendors: Bypass Reps

BENTONVILLE, Ark. — Wal-Mart president David Glass has sent vendors a letter saying that it now will only deal directly with them, instead of through third party distributors. "The improved communication and increased reaction time" from dealing directly "will enhance both our businesses," Glass wrote, in the Nov. 6 letter. "During the next few weeks, you will be contacted by whomever you have been dealing with at Wal-Mart to further discuss this matter. Please be prepared to meet with that individual and advise him or her whether you will agree to accept Wal-Mart's decision that it is in the best interest of our company and our customers to deal directly," he concluded. For several years, Wal-Mart has been attempting to eliminate distributors and get vendors to shave prices by the customary distributor commission of 5%.

Schottenstein to Sell Value City Shares

COLUMBUS, Ohio — Schottenstein Stores, which took Value City Department Stores public in June, plans to sell 1.8 million more shares of the chain. After the sale, which would raise an estimated $31.5 million, Schottenstein would own a 66% stake in Value City, down from 73%. The move comes a month after Schottenstein split Value City stock 2-for-1 after it rose from an initial offering price of $17 to $37, as of Nov. 19. Schottenstein will use the cash as working capital and to recoup costs of buying shopping center land, some of which is leased to Value City.

Slump Hurts Stop & Shop Stock Sale

BRAINTREE, Mass. — Bradlees' supermarket parent, Stop & Shop Cos., went public last month, but the stock market slump sharply reduced its take. Stop & Shop sold 17 million shares, or a 33% stake, but it had to cut its offering price to $12.50. It originally had expected its stock to fetch $14 to $16 a share. Stop & Shop will use the $212.5 million raised to reduce debt stemming from a $1.2 billion 1988 leveraged buyout in 1988. Kohlberg Kravis Roberts owns a controlling 59% of Stop & Shop, while former and current management own the balance of 8%.

Dayton Hudson Exec Goes to Rose's

HENDERSON, N.C. — Another former Dayton Hudson executive has joined Rose's Stores, following several Target executives who headed south earlier this year, led by George Jones, now Rose's president. Rob Gruen has been named vice president, general merchandise manager over electronics, seasonal, sporting goods, toys, hardware and automotives. Bob Sasser remains vice president, gmm for all other hard lines divisions. Gruen had been divisional merchandise manager of children's apparel and toys for the department store division, including all Dayton Hudson and Marshall Field stores. He also served seven years at Target.

Newell Agrees to Acquire Sanford Corp.

FREEPORT, Ill.— Newell took a major diversification step into office products by agreeing to acquire Sanford Corp. of Bellwood, Ill., in a $600 million stock swap. Sanford produces markers, pens and other office and school supplies. In October, Newell had tested the waters by investing $10 million in Stuart Hall.

New President at Bill's Dollar Stores

JACKSON, Miss. — Charles Acklen has been named president of Bill's Dollar Stores, succeeding Fulton Stokes, who resigned to pursue other interests, said the company. Acklen had been chief operating officer, and continues as a director of Bill's parent, BDS Investors.

Target Names Fontaine's Replacement

MINNEAPOLIS — Bob McMahon has been promoted to senior vice president of property development to replace Jack Fontaine, who retired from that position after more than 29 years with Target. McMahon joined Target in 1983, left in 1988, and returned in 1990 as vp and merchandise manager of music, movies and books. Fontaine joined Target in 1962 as area manager of the company's first store in Roseville, Minn. During his tenure, he was involved with 13 different Target store prototypes. Separately, Target announced that until Dec. 24, American Express will donate 5 cents for every customer who uses its card at Target to buy more than 12,000 stuffed animals. The toys will be distributed to paramedics across the country in January by local Target managers.

Ames Creditor Getting Antsy

Citibank Proposes Own Reorganization Plan for Chain

ROCKY HILL, Conn. — Despite the closing of 77 stores in the fourth quarter or early in the first quarter of 1992, Ames Department Stores projects a small profit for the fourth quarter before taxes, interest and restructuring charges. Chairman Stephen Pistner said that he expects a profit before those expenses of $2 million to $10 million. That compares to a loss before interest and taxes of $5 million in the fourth quarter last year.

That, evidently, is not enough for creditor Citibank, which is attempting to force Ames to accept its own reorganization plan. The banker, which is the lead creditor in Ames' $450 million credit line, appealed to a Manhattan Federal Court to accept its plan because ongoing losses have severely limited Ames' ability to reorganize. Ames refused to comment on ongoing litigation.

However, the creditors' committee, chaired by Gitano, opposes Citibank's plan, and will reportedly testify for Ames in the near future.

For the year, Ames expects an EBIT loss of roughly $90 million, compared to a loss of $300 million last year. "The anticipated reduction in our operating loss from last year of more than $200 million reflects the advances we are making in revitalizing Ames," Pistner said. "We are continuing to make progress toward our primary goal of emerging from Chapter 11 as a strong, viable and competitive company."

Pistner added that the company has borrowed less and later than in the past and anticipates repaying all lines of credit debt by mid-December. "We have continued to take early action to further reduce our operating expenses both through selective store closings and cost-cutting measures," he said. "We expect to finish the year with a 20% year-to-year improvement in our gross margin, to 26.1%, and a reduction in our inventory shrinkage of more than one-third. We have also exceeded our cost reduction expectations by $5 million."

Ames warned that investors should not rely on its projections, and said that it will release its third quarter figures, which will contain a restructuring charge for the 77 stores due to close Dec. 10. The chain now operates 371 stores, primarily in the Northeast.

Stuarts Achieves Second Straight Profitable Quarter

FRANKLIN, Mass. — Stuarts Department Stores recorded its second consecutive profitable quarter, after a series of losses dating back to the retailer's Chapter 11 filing in December 1990.

Profits for the third quarter, ended Nov. 2, totaled $365,000 vs. a loss of $296,000 for the year-ago quarter.

"Third quarter results were significantly impacted by a very strong performance in October. This is very encouraging following our second quarter 1991 performance which reflected a profit of $370,000. Our performance to date is on target in achieving our profit projections for the fiscal year ended January 1992," said Joseph Ettore, president.

Stuarts operates 20 self-service department stores in the Northeast. The retailer is currently working with a Creditors' Committee in creating a plan of reorganization.

Emphasis on Apparel Mix Gives Boost to Jamesway

SECAUCUS, N.J. — Jamesway reported a profit for its third quarter ended Nov. 2, 1991. The company reported net income of $380,000 compared to a loss of $3.5 million for the same period in 1990.

For the 39 weeks ended Nov. 2, however, the company reported a net loss of $3.7 million, compared to $5.3 million in 1990.

For the quarter, same store sales were up 7%, while for the year-to-date, same store sales were up 1%.

Herb Fisher, chairman and chief executive officer, attributed the quarter's results to "a shift in our sales mix toward apparel. We also increased the frequency of advertising in the quarter. This, coupled with tight expense controls and lower interst charges on reduced inventory levels, contributed to a profitable quarter."

DSN to Host Retail Forum At NHMA '92

CHICAGO — *Discount Store News* will host it's second Retail Forum during the National Housewares Manufacturers Association's Housewares Show next month. Moderated by *DSN* chief editor, Tony Lisanti, the forum will bring together top merchandising executives from a spectrum of retail formats to discuss issues facing the industry including international, environmental and competitive aspects of retailing. Show exhibitors and attendees are welcome to attend, in room East 20-12, from 7:30 to 9 a.m.

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EDITORIAL

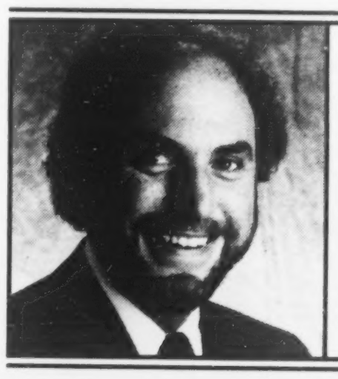
Making 'The Great-landing of Target'

In many ways, this special issue about Target can be likened to the grand opening of a discount store.

It represented a true team effort; it required about six months of research and development; it went through dozens of changes; it seemed like it would never get done. And like a new store, while thousands of people will enjoy it, inevitably someone will always criticize it. (But that's the nature of publishing and retailing.)

DSN began planning for this special issue last May. The original concept, which was proposed to former president Warren Feldberg, was simply to profile the nation's third largest discounter, the "growth retailer of the '90s" as previously described in a past issue of *DSN*.

But the *DSN* team wasn't satisfied with just another in-depth profile. They wanted to do something different; something elaborate; something fun. Subsequently, it was decided that this special December issue would be a "a day in the life" of Target. It would analyze the "trials and tribulations," or as another editor said, "the agony and the ecstasy" of opening a store. But as the idea continued to develop, it wasn't just "one" store, but seven stores selected from the 22 stores Target opened simultaneously Oct. 13.



TONY LISANTI
Editor

The seven *DSN* editors who covered Target's store openings traveled a total of about 25,000 miles across the country, took more than 1,500 photographs, interviewed about 100 Target customers and employees, ate a few hot dogs, drank a few cups of coffee and spent about $300 on Target merchandise. All the editors, except one, were warmly greeted by Target personnel, and a few editors had a chance to visit family and friends. Some editors enjoyed marching bands and disc jockeys from local radio stations while one editor was treated to a Target paratrooper.

Executive editor Don Longo traveled the farthest, to Palmdale, Calif. He drove from Los Angeles (about 60 miles) and thought he would never get there. "I thought commuting daily on the Long Island Railroad to New York was tough, but commuting from Palmdale to L.A. is worse," he said. "I was driving through the desert when all of a sudden I came upon this retailing oasis and there was Home Depot, Wal-Mart and Target. "And this was not a typical Target," Longo added. "It should have had a Greatland sign on the door."

Meanwhile, associate editor Richard Halverson spent a week on the road heading from the APA A trade show in Chicago to Spokane where he visited his daughter whom he hadn't seen in 12 years. Then it was on to Coeur d'Alene, Idaho, which he described as a "mecca for retirees, tourists and shoppers." He couldn't believe the number of Canadians that travel over 100 miles to shop the Target store. "A district manager told me that Canadians account for 10% of store sales," Halverson said. "They actually leave old clothes, used oil filters and boxes in the parking lot to avoid paying taxes."

While Halverson enjoyed Coeur d'Alene lake, associate editor Mary Ellen Kelly enjoyed the lake of Bemijdi, Minn. And she will never forget "Paul and Babe"—the most famous residents of this town where Target opened its small market prototype. "I thought Paul and Babe was a diner or bar," she said. "But it turned out that Paul and Babe is a historic monument on Lake Bemijdi that everyone references when giving directions. Paul is Paul Bunyon and Babe is his ox." Kelly reported it was a quiet opening with little fanfare and no celebrities, but in retrospect appropriate for this small town with a large population of native Americans.

On his way to Austin, Texas—a fill-in market for Target, senior editor Pete Hisey stopped in Houston to visit his cousin, herself a Target shopper who refers to the upscale discounter with a French accent, "Au Target." Hisey was impressed that all the Target regional and district executives wore the same red smock as the store personnel. "That really communicates an important message to all employees and shoppers," he said.

Senior editor Arthur Markowitz simply said that Target finally filled the void in Columbus, Ohio, for an upscale discounter that was left with the demise of Gold Circle. Three Greatland prototypes opened and Markowitz visited all of them and every other major retailer in Columbus. He was impressed with the high level of service at Greatland and the Cub Foods store!

Senior editor Laura Liebeck was a bit concerned with the lack of traffic at the store openings in Jacksonville, Fla., a new market for Target. She had arrived at the store at 8:15 a.m. and the "Welcome Target" sign was just being hung up above the entranceway. "Several shoppers arrived at 8:30, walked right in the store, but were asked to leave until the official opening and ribbon-cutting at 9:00 a.m.," she said. "The manager explained that people are at church and at breakfast and it'll get busy later." Liebeck was relieved that business picked up by midday.

For associate editor Jill Lettich, the greeting she received in Springfield, Ill., where Target opened a Greatland store, wasn't "very friendly and fun, but they were very fast to recognize me as soon as I entered the store. 'You're from *Discount Store News*,' the security guard said to me; no pictures please. But as it turned out Jill got one of the best pictures and shows. "Everyone was a little nervous that the skydiver would miss the Target bull's-eye and land next door in Wal-Mart's parking lot," she said. "But he didn't." It proved to be a great landing, as well as a great cover for *DSN*.

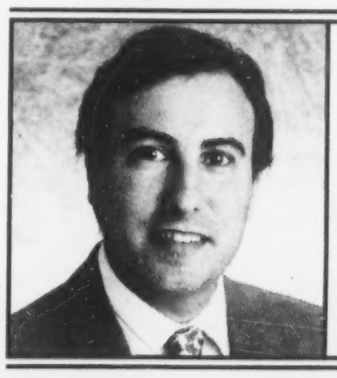
The result of all these travels, interviews and store visits is insightful accounts from each editor, which begin on page 23. Enjoy the journey across the U.S.A. with the staff of *DSN*. Enjoy a day in the life of Target.

BUYERS & SELLERS

Stocking Stuff to Stimulate a Reading Retailer

The best Christmas present that President Bush, Congress and the Federal Reserve could give retailers would be to stimulate the sluggish economy.

Of course, most would settle for a little more discretionary spending by consumers, who so far show no signs of digging deeply into their pockets this holiday season. Consumer confidence is so low right now that many Americans are using their cash to pay down installment debt rather than charge up new balances.



DON LONGO
Exec Editor

Since there's not much I can do to stimulate the economy (I've about maxed out on my VISA limit), I thought I'd make myself a little useful to retailers this holiday season. Books are always a popular gift item for Christmas. So, in the spirit of the holiday season, I'm going to suggest some reading material that you can stuff in the stocking of the retailer on your shopping list. Mind you, these titles are not likely to make *The New York Times* best seller list, but they certainly provide some interesting reading. At the least, they'll take your mind off holiday sales figures for a while:

- *Taking Care of Business: 101 Ways to Keep Your Customers Coming Back Without Whining, Groveling or Giving Away the Store*, by Dick Schaaf and Ron Zemke. Lakewood Publications, Minneapolis. This little book is loaded with gems of common sense, such as Visit Customers on *Their* Turf, Subscribe to Trade Publications (I particularly liked that chapter), Don't Over-Promise, Resist "Acceptable Quality Levels," and Share The Wealth Internally, and 96 others.
- *Signs That Sell: The Handbook of Successful Merchandise Signing*, by Sonja Larsen. Insignia Systems Inc., Minneapolis. Said Target Stores senior vp for marketing John Pellegrine: "Sonja takes you from the basics to the bold; from the simple to the splendid. Everything you want and need to know about effective signing."
- *Children as Consumers: Insights and Implications*, by James U. McNeal. D.C. Heath & Co., Lexington, Mass. This book by a Texas A&M marketing professor not only defines the children's market in dollars, but also covers the ethics of marketing to children and how to educate children as consumers. I liked the candid interviews. "Interviewer: What other stores do you like? Travis (11 years old): Let's see. I like Wright's Sporting Goods. They have a lot of good things. And Wal-Mart. That's a good store. And I guess Sears."

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Cable Address: LEBHAFRIED
Fax # for News Releases: 212-756-5125

Publisher JOHN FAILLA

Editor TONY LISANTI

Executive Editor Donald Longo
Special Projects Editor Pete Hisey
Senior Editor Arthur Markowitz
Senior Editor Laura Liebeck
Associate Editor Richard C. Halverson
Associate Editor Mary Ellen Kelly
Associate Editor/Apparel Jill Lettich
Senior Desk Editor Dawn Wilensky
Desk Editor Marie A. Peluso
Desk Editor Elizabeth Phillip
Art Director Milt Berwin
Graphic Artist Angela Fontana

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent Kenneth Rankin
Correspondent, Deane Evans

VP, Group Publisher FRED J. FILER

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Editor TONY LISANTI
Executive Editor Donald Longo
Senior Editor/Special Projects Pete Hisey
Associate Editor Mary Ellen Kelley
Senior Desk Editor Dawn Wilensky
Desk Editor Marie A. Peluso
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Food Merchandising For Non-Food Retailers

Co-Publishers John Failla, Jill Manoff
Nat'l. Acct. Mgrs. Bruce Smith, Maggie Kaeppel
Art Director Bob Brokman

SALES/MARKETING

New York

National Sales Manager KEVIN KENNEDY
Area Manager Allison Berlin
Classified Ad Manager Carole Harnoff
Classified Production Manager Larry Brush

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager James Malver
Office Manager Angela Ptaras

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
Area Manager Dave Tuttle
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Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
District Manager Bruce Smith
Area Manager Cheryl Kilberg
Office Manager Beverly Wendtland

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Area Manager Jeffrey Larssen
Office Manager Maureen Jackson

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

Business Manager Roch Minieri
Director of Manufacturing Stan Kaufman
Production Manager Mary Lewis

LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
President J. Roger Friedman
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Unravelling sweaters

Cotton sweaters in a variety of styles, such as the one featured here by Gitano, are emerging as big sellers for many discounters.

Retailers can't seem to agree on what the leading fiber is, the availability of goods for spot buying, or the overall climate of the sweater business.

Sweaters, traditional mainstays of the third and fourth quarters, are, like other apparel classifications, running into stumbling blocks in the form of a sluggish economy. But even inroads made by fleece, knit tops and a soft retailing climate haven't placed the category out of the running.

Some manufacturers and retailers see bright spots on the horizon even while admitting that budget-crunching is affecting how they buy.

For instance, Elissa Kraemer, divisional merchandise manager, women's sportswear, Burlington Coat Factory, Burlington, N.J., says women's sweater business has been good this year.

"We think that part of it is that it [the sweater] is a way for a customer to update her wardrobe at a comparatively inexpensive price," says Kraemer. "She can buy something new and exciting. It's an easy add-on to an existing wardrobe."

At the same time, however, Kraemer admits that while initial orders were placed in March, especially on imports, for the fall season, "we tried to hold back more money to buy in season."

For spring, Kraemer has thus far only bought sparingly, placing her open-to-buy bets on cotton fancies.

Her counterpart at Burlington, Stephen Koster, men's merchandise manager, has a different view. "I've got to be honest with you," he says. "Sweaters have dipped a little. Prior to two years ago, sweaters were increasing 20% to 25% a year."

According to NPD, the Port Washington-based research company that monitors consumer buying habits *(see chart, page 18),* the total number of sweaters sold in the first half of 1991 dropped 13% compared to the same period in the prior year. That message becomes even more ominous for the industry considering that 1990 was a weak sweater year. Total sales for 1990 were down 16% in units compared to 1989.

Yet reaching a consensus regarding the category varies by retailer and producer. The only thing everyone in the sweater business, both men's and women's, seem to agree on is that cardigans are still hot.

There's disagreement over a lot of other issues: how much goods are readily available for spot buys, whether cotton has replaced acrylic as a leading fiber, and the overall climate of the sweater business.

For instance, Burlington's Kraemer says that, "there are a lot of goods available in the market. There are a lot of other stores that couldn't be shipped. There are a lot of retailers' programs that have fallen through that make goods available. We purchase advantageously."

But according to Michael Kipperman, president, Turtle Bay/Gotham Apparel Corp., New York, a Sasson licensee, "This year people [retailers] did not project sweaters to be as spectacular, as strong as they currently are." ►

Salvatore Baiano

As a result, Kipperman says, nobody really placed orders domestically in the first and second quarters the way they normally do for third-quarter delivery. "Most domestic manufacturers—being gun shy—and most domestic yarn people—being gun shy—cut back production." Thus, for the first time in his memory an apparel commodity has not been available for spot delivery.

"Here you have merchandise managers telling their buyers to go into the market and buy spot goods and closeouts," says Kipperman. "and there is virtually nothing available. We have a waiting list of people we haven't done business with for 10 or 15 years, who called and begged for merchandise."

With this as a background, it comes as no surprise that Kipperman says that, "Our business is through the roof. It's running dramatically ahead."

Not only that, says Kipperman, the biggest shocker is that where most of his sweaters have traditionally retailed for about $19.95, they're checking out at about $34 this season.

But marketing sweaters, for now, remains a risky business. According to Joseph Lai, owner, Cartwell Industries, New York, importer of apparel from China, Hong Kong and Korean retailers are willing to gamble on buying closer to their season.

They buy on a month-to-month basis, he says, citing an instance where a Massachusetts retailer came in on Oct. 2 and ordered for delivery on Oct. 25. Because of the seesaw nature of sweater sales lately, he says, the retailers are afraid to commit too deeply. Instead of having 10 dozen units of one style in a store, they want five dozen.

"If the goods are checking out of the stores, the retailers come back," Lai says. "If they find the goods, fine. If they don't, they'll buy something else."

This approach, while cautious, doesn't allow retailers to capitalize on the potential of a given item.

However, one style most retailers have maximized is the cardigan. Joyce Vera, buyer, misses career sweaters at J.C. Penney, Dallas, says that cardigans and sweater coats represent 45% of her department's sales. V-neck and mock neck pullovers are strong. "Glitz is selling!" says Vera. Average unit retail at Penney is down slightly—$31.50 versus $33.10 a year ago, but recently there has been movement in the $48 to $64 range, she says.

Best price points at Braintree, Mass.-based Bradlees are $20, $25 and $30, according to Celia Clancy, divisional merchandise manager of misses and petites. Here, cardigans are also strong sellers. Tunic business has been a little disappointing, says Clancy. "It might be the weather." Crops are selling in juniors, but not in misses, she says.

Turtle Bay's Kipperman confirms the strength of short sweaters. "All the retailers bought tremendous quantities of tunics to go with leggings," he says, "but they neglected the crop category."

"Right now, 90% of my reorders are crop sweaters," Kipperman says. He says two of his styles alone will produce about $7 million at retail this season.

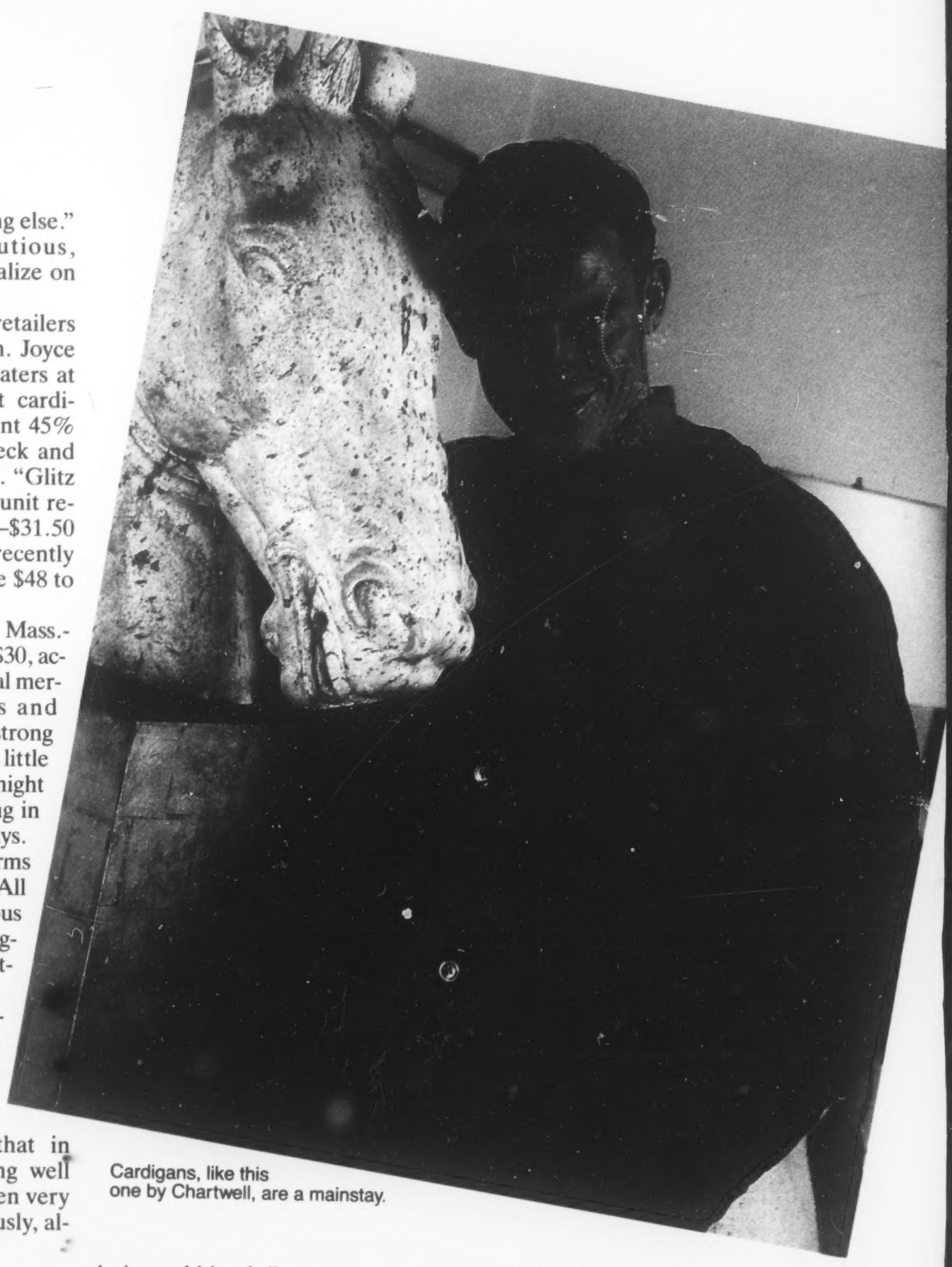
Burlington's Koster notes that in men's V-necks have been doing well this year because shirts have been very important, and this style, obviously, allows more shirt to show.

Cardigans are doing well in young men's fashions and are a big impulse purchase for older men, he adds. "It used to be more crew necks, but these have slipped in popularity to V-necks and cardigans."

In the ladies sportswear departments of Burlington, cardigans are also strong, says Kraemer. "It's like a jacket substitute." The knit top business is strong, she adds, but we haven't seen it eat into the sweater business.

When it comes to fibers, Penney's Vera says that her best-selling sweaters are the fur blends. Her best selling sweater is a blend of lambswool (70%), angora (20%) and nylon (10%). The next best sweater is made of 100% acrylic bouclé.

Burlington's Kraemer agrees that fur blends are selling well. Anything with a hairy interest, such as lambswool, angora, mohair or a combination of silk and angora does well. "We're not selling basic cottons or acrylic sweaters," she says. "We're selling things that are different, like hand knits and blends."



Cardigans, like this one by Chartwell, are a mainstay.

At Bradlees, the strongest sweater fiber has been and continues to be acrylic.

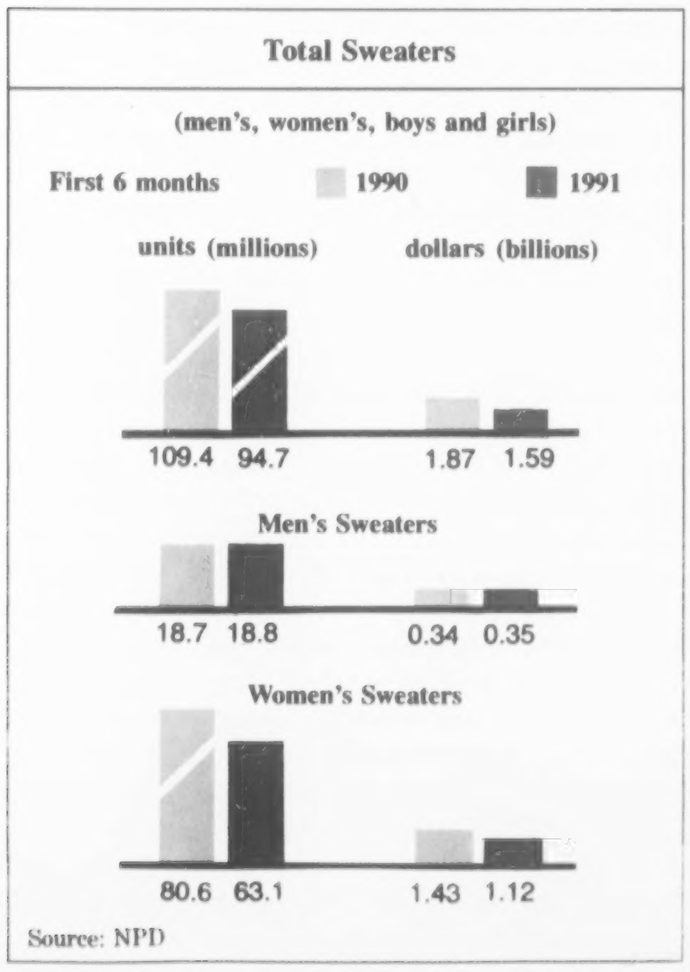
In the men's departments at Burlington, cotton sweaters—both domestic and imported—have come on strong, according to Koster. "There are some interesting treatments that domestic manufacturers are doing in cotton," he says. "These have taken the place of low-end acrylic jacquard business."

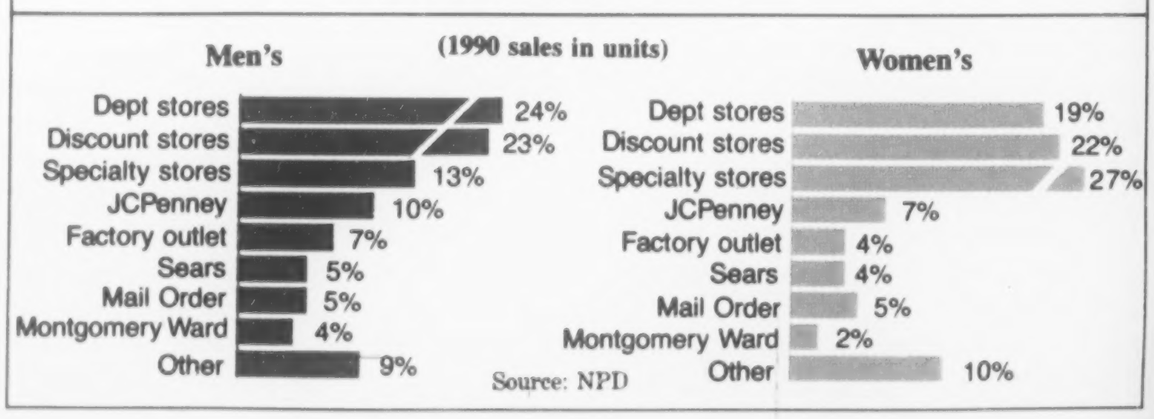
Wool has become a two-month business during November and December. "It's really come down in importance as far as I'm concerned," says Koster. "The customer has really grown to accept cotton as a replacement for wool," he says.

Another strong vote for cotton comes from Turtle Bay's Kipperman. "Our business in the last three years went from 95% acrylic to 99% cotton," he says. "You've got a consumer who wants cotton. She's being educated by the retailer, and I think the cotton council has done an outstanding job in pushing and promoting cotton."

Yet acrylic's performance properties are keeping that fiber in the running. "If it gets dirty, throw it in the washing machine, take it out and boom, you can wear it," says Cartwell Industries' Lai.

Despite the intrinsic appeal of sweaters and the fibers used for their manufacture, the fact is that the business has become a fraction of what was once an overwhelmingly dominant, commodity classification. The question is at what level will the category become stable? ◢





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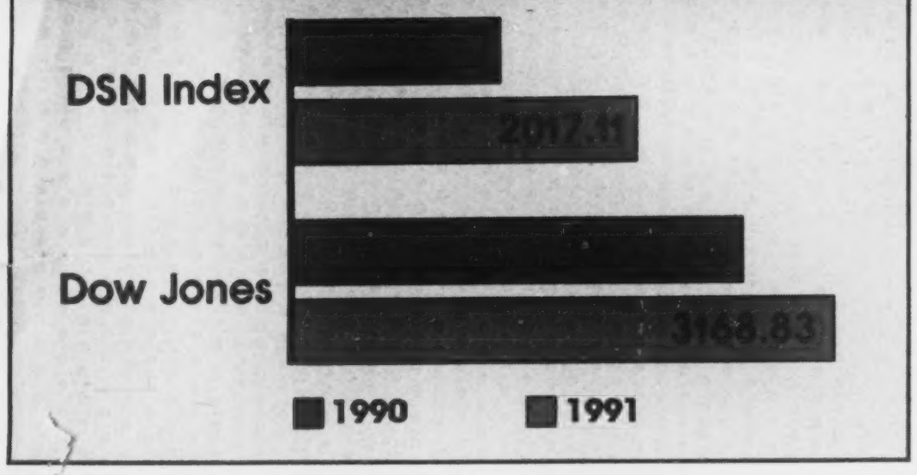

Shoppers Put the Merry Back Into Christmas '91

By Richard Halverson
DSN Nationwide Report

Holiday sales by discounters—especially those which targeted the specialty or niche market—fared better than department stores in December.

General merchandise retail sales at discounters rose about 2% in December 1991, compared to the same month last year, a sampling of chain results indicated, while same store sales at department stores, either were flat this past December or only a percentage point up or down.

For some discounters, this was the third lackluster Christmas season in a row. In addition, the same store sales gains that were logged in the 1991 holiday season represent only partial recovery from a weak Christmas in 1990, noted Walter Loeb, former retail stock analyst with Morgan Stanley who now heads his own research firm, Loeb & Associates.

Still, discounters fared better than others.

The department store division of Dayton Hudson, for example, reported a 1% gain, while May Department Stores logged a 1% decline, and J.C. Penney eked out a scant, 0.4% same store sales gain.

Adjusted for inflation, department store unit sales probably declined about 2%, estimated George Rosenbaum, chief executive officer of Leo J. Shapiro & Associates, a Chicago-based market research firm.

Examples of discounter gains for the month of December include: Venture, 3.7%; Kmart, 4%; ShopKo, 4.5%; Wal-Mart, 5%; and Target, 6%.

Chains with weak sales include both national and regional chains.

Same store sales at Sears slumped 1.8%, and fell 1% at Caldor and 0.5% at Rose's Stores. Even international retailers like F.W. Woolworth reported a 0.5% decline.

As a result, both Sears and Woolworth, plus a number of other chains, announced substantial cutbacks for 1992. Sears said it will cut 6,900 jobs this year and Woolworth may close 450 stores and layoff as many as 5,000 people.

(Continued on page 50)

DSN's Stock Index Soars to Record High

By Neil Nordby
Special to DSN

What a difference a year makes.

That's what investors in discount store stocks must have said to themselves as they laughed all the way to the proverbial bank in 1991's dizzying rally as Wall Street finally came to a close.

When the smoke had cleared and the books were closed on 1991, here's how the industry looked: each discount store stock, as represented by the Discount Store Stock Index, pole-vaulted nearly 800 points en route to a record high of 2017.11. One other way of looking at last year's results was thus: on average, the stock price of the 60 companies tracked on *DSN*'s discount store stock table increased an average of 65.5% in what was a record-breaking, one-year journey for these stocks.

But it wasn't at all like this in 1990. Instead, one year ago investors felt the stinging effects of the market's sudden and powerful reversal, and discount store stocks were singled out for special pun-

(Continued on page 15)

Sears Cuts 6,900 Additional Jobs

Chain's New Technology to Maintain Customer Service

By Richard Halverson

CHICAGO — In a further bid to become more efficient and competitive, Sears is trusting that new technology will enable it to maintain present levels of customer service even though it is closing all "customer convenience centers" and slashing customer service payrolls.

In addition, Sears is moving to stem the continued losses of its $4 billion catalog division by eliminating catalog order desks in 32 test stores.

Sears announced that it has purchased $60 million worth of electronic equipment: 28,000 computerized registers that will shift customer service functions onto salespeople, and 6,000 "customer service kiosks" that will allow customers to take care of many problems themselves.

As an offset, Sears expects to save $50 million a year in payroll costs by eliminating 6,900 more jobs: 1,000 customer service positions (including about 200 catalog order jobs) and 5,900 part-time clerical support staff.

Though it is eliminating the customer service centers, Sears will continue merchandise pickup service, either on the sales floor or out back.

The latest round of cuts brings to 39,900 the number of jobs Sears has cut over the past year and a half to reduce overhead. The total includes 14,000 full-time and 25,900 part-time jobs, but none are sales positions, Sears said.

Starting in 1992, Sears projects it will save $750 million a year, thanks to the payroll cuts.

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Consumers Are Reluctant To Lay Out the Green For Environmental Goods

Nationwide DSN Report

The halcyon days of the "green" revolution are over.

Consumers and retailers have discovered that protecting the environment can be an expensive proposition—and individuals and businesses have become wary about the cost.

What consumers want—and what manufacturers and retailers are trying to provide—are "green" products that are cost-effective and that don't demand radical changes in an individual's buying habits or lifestyle.

Consumers' growing wariness about the cost of buying environmentally-friendly products is evident from a series of studies that indicated that individuals are increasingly more likely to talk than buy "green."

See Retailing & The Environment page 41

A study which was conducted in 1990 by Gerstman & Meyers, packaging consultants, indicated that 83% of those questioned were inclined to buy "green" merchandise and that 61% reported they didn't buy goods because of concerns about the environment.

Another study conducted that year by the Roper Organization for S.C. Johnson & Son, "American Consumers: From Brown to Green," reported that consumers on average would pay 6.6% more for environmentally-safe products. The average price increase consumers said they would pay for common household goods that were more environmentally-friendly ranged from 6% for recycled paper products, 6.1% each for recycled plastic packaging and plastic products with less plastic, 6.6% for aerosols, 6.8% for biodegradable plastic packaging and 7.3% for soaps and detergents.

(Continued on page 49)

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What's in Store For IKEA: Four More STORs

Nationwide DSN Report

PLYMOUTH MEETING, Pa. — IKEA made it look so easy.

Display Scandinavian styled furniture in inviting room settings at low prices. Keep children entertained in a play area while consumers are steered toward self-serve boxed stock for home assembly of the furniture selected. Do this, and you too could develop a home furnishings chain with about $284 million in U.S. sales.

But there was more to this formula for success, executives at the IKEA look-alike called STOR have learned.

After three years of red ink—and an initial public stock offering last April that temporarily brought aid—STOR has turned to IKEA for salvation: STOR asked to be acquired by the Swedish home furnishings retailer.

The four-unit STOR, based in City of Industry, Calif., is expected to be sold for around $20 million, according to a company spokesman. STOR would help IKEA's emerging West Coast presence.

STOR signed a definitive merger agreement with IKEA Holding U.S. last month, whereby IKEA would acquire STOR for $3.10 per share in cash, conditioned upon the purchase of at least 90% of the outstanding common stock and all of the outstanding non-voting common stock when the merger takes place. Any other outstanding stock eventually would be acquired at the same price.

STOR sales, reported with a fiscal year closing at the end of March, have climbed from $8.3 million in 1988, to $33.1 million in 1989, then to $65.7 million in 1990, and finally to $70.4 million for 1991. But the bottom line has plummeted. Operating losses swelled from $7.2 million in 1988 to $11.2 million for the end of the 1991 fiscal year.

Three of STOR's locations, averaging 160,000 sq. ft., are in the Los Angeles market. The fourth unit is in Houston. The average size of IKEA stores is just over 200,000 sq. ft.

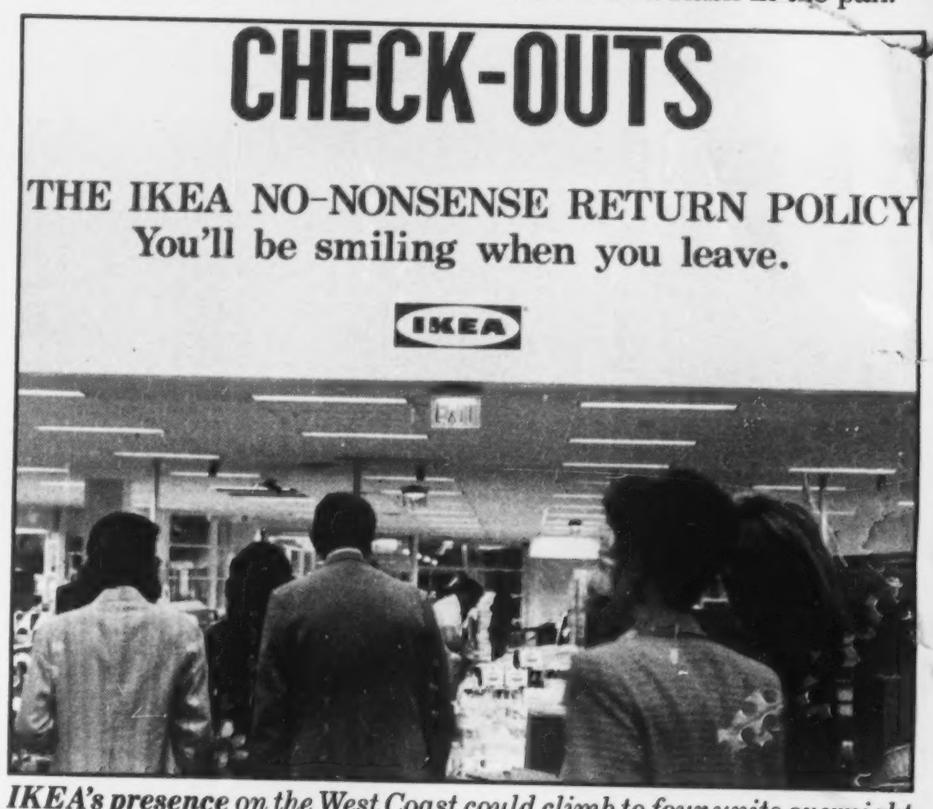
IKEA now operates only one West Coast store, in Burbank, Calif. The chain had reported plans to saturate Southern California with a total of four units, long before STOR was up for sale.

The similarities between the two home furnishings chains were sufficient for IKEA to file a lawsuit in 1988 alleging copyright infringement of IKEA catalogs and trade dress infringement. While financial claims by IKEA were dismissed with prejudice, STOR did agree to modify its store layout, to take down flags of Scandinavian countries at the store, and to modify advertising and catalogs.

The sheer size of IKEA—100 stores in 25 countries and global sales of $3.8 billion—brought with it the economies of scale that STOR and other competitors would be hard-pressed to rival. The first STOR annual report, issued in June 1990, admitted the chain was "still in its formative stage," and that it would "take time for the company to reach the sales volume necessary to fully realize its potential economies of scale."

But despite STOR's track record, yet another competitor called HOME, in Chicago, has also developed a format which is nearly a mirror reflection of IKEA. While HOME has the advantage of not being faced with IKEA's presence, Chicago is likely to be among the new markets IKEA would attack.

Even one of the first IKEA imitators, HomeWorks, a store-within-a-store concept opened in 1987 by a company the size of Federated Department Stores (for its Lazarus and Foley's stores), was little more than a flash in the pan.



***IKEA's presence** on the West Coast could climb to four units overnight with the acquisition of STOR.* (DSN photo)

Miami to Play Host to IMRA Conference

MIAMI — Executives from discount chains such as Wal-Mart, Bradlees, Target, ShopKo, Hills and Clover, plus members of the manufacturer community will be among those speaking at the International Mass Retail Association's ninth annual Store Operations & Human Resources conference held here Feb. 26 to 28.

The conference is designed to help executives explore the best means for effectively integrating personnel and technology in order to streamline chain operations profitably.

Sessions include "Increasing Profitability Through People and Technology," introduced by the chairman of the IMRA, Norman Chalphin, senior vice president, stores & operations with Bradlees. Also speaking at the session will be Don Soderquist, vice chairman and chief operating officer of Wal-Mart.

Scott Copeland, regional vice president from ShopKo Stores, will be the speaker for the session titled, "Plan-O-Gramming & Stocking," while "Automated Scheduling" will be introduced by Susan DeNuccio, vice president, stores & distribution and personnel at Target Stores with Boscov's vice president, director of stores, Joseph M Fabrizio speaking.

Non-retailers at the podium will include Michael Hughes, executive director, American Greetings Corp.; William Parsons, president and chief operating officer of Senn-Delaney Management Consultants; Joseph P. Viviano, president of Hershey Chocolate, U.S.A. and others.

During the conference, the IMRA will distribute material to help chains address the Americans with Disabilities Act at their store. The booklet is entitled, "ADA Compliance Manual: A Practical Guide for Mass Retailers."

For more information, contact the IMRA in Washington, D.C. at (202) 861-0774, or by fax at (202) 785-4588.

Discount City Debuts in the Bahamas

NASSAU, Bahamas — This island's first discount store is scheduled to open here in March.

Called Discount City, the 5,000-sq.-ft. store will offer an everchanging list of "miscellaneous" merchandise, said cofounder Craig Walkine.

All merchandise will be priced below $10. Margins will range from 100% to 150%, he said, and added that import duties add 5% to 35% to the price of all items in the Bahamas.

Walkine said he and his two partners—each with marketing experience but no retailing background—will seek out opportunistic buys of all kinds: closeouts, overruns, etc.

Ultimately, Walkine and his partners plan to have three to four stores in Nassau and units throughout the country's 20 islands.

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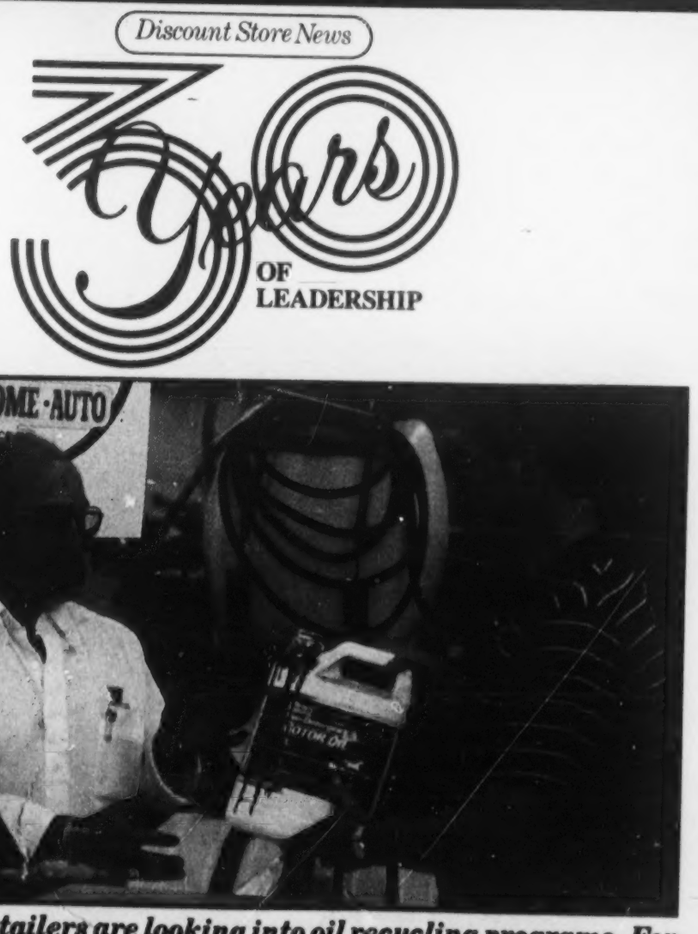

More and more retailers are looking into oil recycling programs. For a closer look at their efforts see story on page 41.

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MARKETWATCH

Wal-Mart Policy Protested at CES

LAS VEGAS — Friends For Free Enterprise, a Dallas-based organization representing independent sales reps and brokers across the country, picketed outside the convention center here at the winter Consumer Electronics Show. The demonstrators carried signs stating, "Wal-Mart's Way is Not the American Way," in protest of the chain's decision to force manufacturers to stop using independent sales reps and to deal directly with Wal-Mart buyers *(see* DSN, *Jan. 6, page 1).* The picketing, part of a larger campaign, was designed to inform suppliers, representatives, brokers, retailers and consumers they will be adversely affected by Wal-Mart's policy.

Japan's Toys 'R' Us Welcomes Bush

KYOTO, Japan — President George Bush addressed thousands of waiting customers in the parking lot of Toys "R" Us' second store here Jan. 7 in the Kashihara-Nara Prefecture, south of Kyoto, Japan. Toys "R" Us chairman Charles Lazarus introduced the president, who was on a tour of the Far East. The prototype's 45,000-sq.-ft. store followed the successful opening of the first Toys "R" Us store in Japan Dec. 23, 1991. That store, located in the Arakawacki-Ibaragi Prefecture, northeast of Tokyo, culminated three years of intense preparation for entry into Japan. The entry symbolizes progress in U.S.-Japan bilateral trade negotiations, spearheaded by the U.S. government and Toys "R" Us. Until recently, large retail stores have been prohibited from opening in Japan due to a complex series of regulations and barriers.

Kmart Looks to Hawaii for Expansion

TROY, Mich. — Kmart will be expanding into the Hawaiian Islands with the purchase of both a store and a store site from Pay 'N Pak home centers—which recently filed for Chapter 11 protection—for about $30 million, said a source close to the negotiation. The store site is located in Honolulu on the island of Oahu, and the parcel of land is on the island of Maui. Officially, Kmart said it is "looking in Hawaii, as we are in all states, but we haven't confirmed any locations in Hawaii at this time."

Fred's Reports Healthy Sales Gains

MEMPHIS, Tenn. — Fred's, the 142-unit variety store and pharmacy retailer based here, reported a near doubling of operating income for the third quarter ended Nov. 2, 1991 and healthy sales gains. Operating income jumped by 92% to just under $3 million, and net income—which was a loss of $610,000 last year, reached $867,000 in the black for the quarter in 1991. Sales for the quarter were up 8% to $72 million.

Wal-Mart to Phase in New Rack Jobber

BENTONVILLE, Ark. — Wal-Mart during the year will phase in its subsidiary Western Merchandising, acquired a year ago, as the video rack jobber in 270 stores. Western Merchandising will replace Handleman Co., but that rack jobber will be used to service about 120 Wal-Marts due to be opened this year.

James Berk Named CEO of BizMart

ARLINGTON, Texas — BizMart, the 72-unit office superstore chain, named James Berk, president and chief executive officer, succeeding BizMart founder Ron Stegall, who retired.

Sprouse-Reitz Files for Chapter 11

PORTLAND, Ore. — Sprouse-Reitz Stores filed for Chapter 11 protection after the variety store chain's primary lender failed to renew its credit line. New management and merchandising programs were instituted earlier this year, but sales and profits have been slow to improve.

S.E. Nichols Emerges From Chapter 11

NEW YORK — S.E. Nichols, the 14-store chain of deep discount drug stores operating under the Pharmhouse name, emerged from Chapter 11 Bankruptcy late last month. The one-time discount store chain filed for bankruptcy protection from its creditors August 2, 1990.

Managers' Influence Survey

Consumables Sales Ring in on Local Tastes, Preferences

Nationwide DSN Report

Discount store managers exert the most influence on departments where sales are sensitive to local preferences, especially where consumers can select from among a wide variety of what are often similar products.

The typical discount store manager's influence ranges from being able to buy specific products locally to insuring that headquarters merchandisers purchase the specific items and name brands that consumers in his market favor.

Among all the discount store managers surveyed by *DSN* in its annual Top Brands study, *(see* DSN *Oct. 7, 1991, and Oct. 21, 1991)* just over a quarter said they had the greatest merchandising influence on two leading consumable departments—food, candy & snacks and health & beauty care. Slightly over 16% said

(Continued on page 49)

Departments Where Managers Wield The Greatest Influence

Food, Candy and Snacks	26.0%
Health and Beauty Care	26.0
Housewares	16.4
Hardware	12.3
Sporting Goods	11.8

Source: Leo J. Shapiro & Associates

Soviet Store Offers Russian Goods Via U.S.-based 'Marriage Broker'

By Pete Hisey

MIAMI — Despite all the turmoil in the former Soviet Union, opportunities for Americans doing business there have never been better, according to directors of The Soviet Store, based here.

Now a commonwealth, the former Soviet Union "is based in Minsk, where we're also based, and that is the most stabie, entrepreneurial area of the Soviet Union," said Robert Dickstein, the company's president.

The Soviet Store is really neither Soviet nor a store. It is an American-based corporation that maintains a showroom of Russian-made products and acts as a "marriage broker" between American manufacturers or retailers and Russian production factories. "The price of labor in the Soviet Union is actually below that of the Third World," Dickstein noted. "And you get what is probably the most highly educated workforce in the world."

The Soviet Store represents about 40 factories, most in Belorus, formerly known as Byelorussia, which produce fine ceramics, apparel, gift items, tires, and industrial supplies.

Recent deals include factories that make bicycles, swimsuits, folding chairs, watches and computer software. In fact, a "household name" in the swimsuit business will be bringing the swimsuits here under its name, said Dickstein, preferring not to identify the company.

The Soviet Store acts as more than a simple middleman. It sponsors tours of the Russian factories, arranges for full Western-style services within the country (including legal assistance, translators, accountants and advisors familiar with dealing with the often labyrin-

(Continued on page 49)

HIA Survey: Crafts Up 4% in '91

NEW YORK — The craft and hobby industry was projected to be a $6.8 billion market last year, up 4% from 1990, Hobby Industries of America revealed here before a gathering of retail executives, manufacturers, financial analysts and reporters.

The number of households engaged in craft and hobby activities was determined to be 77% in 1990, up from 64% just two years prior.

The findings disclosed at the meeting were only a portion of those from the HIA's survey. A full report will be presented to the industry at the HIA convention in San Diego this week *(see story page 33).* The survey was conducted in 1990 and reflects actual 1990 figures and projected data for 1991.

Retailer, manufacturer and consumer populations were each surveyed, with a high degree of correlation between the retailer and vendor groups and only certain areas of discrepancy with consumers.

For instance, consumers expected sewing would represent nearly 30% of their total craft and hobby spending for 1991, while retailers estimated sewing and notions would account for only 2% of sales. Some discrepancies were the result of differences in the way each group classified a particular activity.

The projects most frequently undertaken by consumers include fabric painting or decorating (wearable art) with over 65% engaged in that activity. Other hot projects include woodworking, ceramics, floral arranging and wedding/bridal floral crafts.

Wal-Mart President/CEO Glass Top Exec at Bottom of Pay Heap

WASHINGTON — The United Shareholders Association, a stockholder rights action group, reported that Wal-Mart president and chief executive officer David D. Glass was the most underpaid top U.S. executive of a public company.

In a-first-of-a-kind study, USA matched top execs' actual total direct compensation against a model "competitive" compensation that weighs in such factors as size and performance of the firm, stock price appreciation and dividends.

The selective listing of 1,000 executives, developed by Prof. Graef S. Crystal of the University of California at Berkeley, a leading compensation expert, shows that Glass had a TDC of $980,000 vs. a model TDC of $10.89 million or an undercompensation of $9.91 million.

Other discount execs, their TDC and model TDC include:

Richard L. Sharp, Circuit City, $1.06 million, $4.19 million; James Sinegal, Costco, $530,000, $2.02 million; Robert E. Price, The Price Club, $240,000, $1.28 million; Edward A. Brennan, Sears, $980,000, $2.7 million; Joseph E. Antonini, Kmart, $1.55 million, $3 million; Roy M. Speer, Home Shopping Network, $420,000, $910,000; Raymond Zimmerman, Service Merchandise, $840,000, $1.38 million; and Leon Levine, Family Dollar Stores, $500,000, $800,000.

USA's overcompensated execs included Bernard Cammarata, TJX Cos., $2.83 million, $1.22 million; Norman A. Ferber, Ross Stores, $2.47 million, $710,000; and Charles P. Lazarus, $8.25 million, $2.57 million.

EDITORIAL

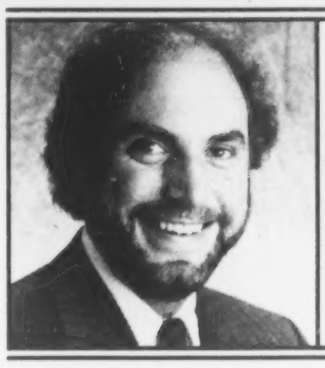
Recession: Retailer's Delight or Dilemma?

Conventional wisdom tells us that during tough economic times when high-end retailers struggle, discount retailers thrive.

Well, maybe it's time to rewrite this old adage because it isn't exactly what's happening out there, is it?

The recent controversy in college football over which team should be the national champion poses somewhat of a similarity to predictions for the retailing industry in 1992.

Obviously, no one can agree on a champion football team and no one can agree on what kind of year it will be, not only for the retailing industry, but for the country as well. Analysts, economists, consultants and journalists spend endless hours preparing and debating their predictions and hypotheses. But, what impact does all this have on your business? How much of this information is really helpful or necessary?



TONY LISANTI
Editor

Consider this scenario:

On one side you have the AP Poll, or in retail circles better known as the Associated Pessimists. On the other side, you have the UPI Poll, or Upbeat Persons International.

According to the AP Poll, the holiday season was—guess what—disappointing and looking ahead business will remain—guess what—dismal.

Said one analyst, who has a vote in the AP poll, "The recession that is headed into a double dip by mid-1992 and possibly into a depression in some regions has strangled consumer spending leaving retailers with flat sales at best."

The analyst pointed out that three retailers this year have already succumbed to the recession by filing Chapter 11 and closing stores. They include Zale Jewelers, Sterling Optical and Seaman's Furniture, all top chains in their respective segments.

On the other hand, according to the Upbeat Persons poll, the recession will end by the second quarter and consumer spending will rise. Said one respondent in the UPI Poll, "It's a presidential election year, the economy will get better, business will rebound."

"So what," replies Joe Discounter. "So I already know it's a tough market, but consumers will trade down, I'll be OK."

So what's an executive to believe. And does it really matter?

The best strategy during these uncertain times is business as usual.

Despite the continued economic uncertainty, discount retailers continue to fare well overall albeit not as great as in previous years. The recession has been bittersweet for discount retailers.

But Americans are definitely downscaling and discounters should be dancing. This is the trend for the 1990s.

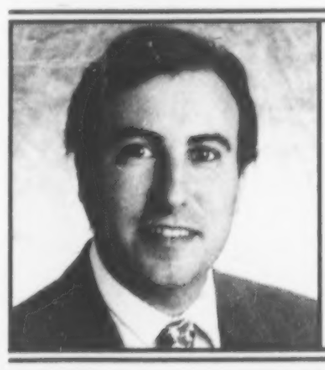
The magic of discounting is real, but it isn't guaranteed. A successful discounter must be more than just an everyday low price retailer. A successful discounter must be a well run business in every facet of operations. Because if a discounter can't thrive or even survive in a recession, then something is seriously wrong. The recession and downscaling of America poses an opportunity for discounters, but "you know it don't come easy."

BUYERS & SELLERS

Partnerships Serve Needs of '90s Consumers

Relationships. Partnerships. Strategic alliances. Whatever the buzzword you use, the overriding merchandising issue of the '90s concerns the changing bond between supplier and retailer.

Bill Marter, vice president of trade development for the Ambassador Cards division of Hallmark, has been in a unique position to view the struggles of both retailers and suppliers as they challenge the old ways of doing business. "Many people criticize partnership as altruistic and say it'll never work," said Marter recently. "I've heard them say, 'Retailers want profits, not partners.' "



DON LONGO
Exec Editor

Marter, who is chairman of the Partnership Steering Committee of the International Mass Retail Association, points out the flaws in that thinking. "In relationships, we have little choice in the matter," he said. "We're born into relationships and our work brings us into relationships. You've got to build trust based on having similar needs, being willing to share and communicate."

IMRA recognized the role it could play in strengthening relationships between retailers and suppliers a little more than a year ago. In creating the Partnership Committee, the association showed that it can be a proactive force in the industry beyond legislative matters. IMRA can help place retailers and suppliers into an environment conducive to communication and can help both parties better understand the universal needs of the industry. One of the objectives of the Partnership Committee is to encourage the "sharing of ideas and resources that will ultimately increase sales and profits for both parties." Among the functions IMRA can perform to promote this objective are: education on both merchandising and technology issues; creating a database of information about the mass merchandising industry; establishing a code of ethics for operating within this new business environment; promoting the proper use of Universal Product Code; and encouraging the use of compatible systems industrywide.

The Partnership Committee rose to prominence at last year's IMRA convention in Dallas. Partnership was the theme of that convention. This year, the Partnership Committee, under the wing of IMRA's Associate Member Committee, has a new project: A special consumer research report on attracting and keeping customers in the '90s. A presentation on the results of that study is sure to be one of the most interesting and actionable sessions at the 1992 IMRA convention, May 16 to 19 in Orlando, Fla.

Any retailer or manufacturer who needs guidance on how to create better relationships with his or her business partners should contact Stephen Sibert at IMRA (202) 861-0774. Steve is IMRA's liaison to the Partnership Committee.

By communicating and sharing ideas, retailers and manufacturers can put more emphasis on selling, rather than buying. Retail buyers can be merchants, not order writers, and both retailers and suppliers can focus on better serving the needs of the ultimate customer: the American consumer.

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Cable Address: LEBHAFRIED
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Washington News Bureau
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REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158 617-527-6394
Regional Manager **James Malver**
Office Manager **Angela Ftaras**

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
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Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
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Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

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Shoppers Put the Merry Back Into Christmas

(Continued from page 1)

Although same store sales gains are the best indicator of chain results, they must, of course, be viewed against the total chain picture.

Jamesway, for example, reported a 4% same store sales gain for December, although total chain sales fell for the month because it closed 24 of the 136 stores it operated a year ago.

Some specialty and niche discounters disclosed enviable gains, ranging from 7.9% (for the eight weeks ended Dec. 28) at Toys "R" Us, 9.2% (for the five weeks ended Dec. 28) for Value City, and 55% (for the four weeks ended Dec. 28), for BizMart the Dallas, Texas-based office products chain.

50-Off Stores, an off-price apparel chain in Austin, Texas, also enjoyed a spectacular Christmas, reporting a 54.1% same store gain for the five weeks ended Dec. 27.

As *DSN* reported, a pre-Christmas Shapiro survey concluded that a record percentage of consumers, 61%, expected to spend less on Christmas, 1991. That was an increase over last year when 52% said they expected to spend less at Christmas, 1990.

Prompted by intensive promotion, "consumers actually spent more than they intended" this past Christmas, Rosenbaum said. Shapiro is concluding a survey to determine exactly how much they did spend, on average, he added.

Improvements for some discounters came in part from price promotions, and by putting pressure on margins.

"Profits were under pressure," Rosenbaum said. Generally, "it wasn't a profitable Christmas for discounters."

The 6% same store gain at Target was in part a result of a larger number of unadvertised specials than the year before, said the chain's spokesman George Hite. "There was a lot of pressure on prices," he said. "We captured market share, but margins were under pressure."

Retailers "face a totally new era," Loeb warned. The new reality is that "consumers proved how value-conscious they are," he said. Worried about jobs, taxes and the recession, consumers bought late this year and bought mainly necessities.

"My educated guess is that any gains came 100% from planned promotions," he said. "Department stores marked down everything."

Bucking the holiday markdown epidemic, Dollar General, Scottsville, Ky., marked down nothing and still enjoyed a 20% same store gain in December. "We understand value merchandising," chief financial officer Bruce Quinnell said.

Dollar General does not conduct promotional sales, Quinnell said, and basically doesn't mark down merchandise.

"We either sell-through or hold goods until they sell. We might carry product for a year," he said. He estimated that the chain marks down only 2% of its dollar volume, and one point of that is because merchandise is damaged. "Price corrections" account for the other point and Dollar General makes any price cuts permanent .

Dollar General carries only low-priced basics and commodities and caters exclusively to low-income consumers in the South and Midwest. "All of our toys cost less than $10. About 70% sell for $5 or less," he said.

While most retailers were trimming inventories, Dollar General increased overall inventories by 6%, including a 400% increase in small appliances, Quinnell said.

"Next year, we'll buy more small appliances," he said. By stocking off-brands and closeouts, Dollar General can offer small appliances, such as toasters, small irons and can openers, for $10, he said.

"In our radio advertising, we emphasized our in-stock position," Quinnell said. Much of Dollar General's sales came late in December, a 37% gain in the fourth week, he said.

"I suspect that a lot of our customers either tried other stores first and found them out-of-stock or never tried them at all because of all the media publicity about low inventories," Quinnell said.

Based on informal queries of a number of its 1,523 stores, Dollar General found that increased customer counts and increased per-ticket expenditures accounted for much of the 20% same store sales gain, Quinnell said.

But the cfo acknowledged that Dollar General is too economy-minded to pay for studies of exact customer counts and per-ticket averages.

Hard lines sales gains ran 30%, he said, while clothing sales were only "OK," at 6%.

"We learned a few things about clothing [such as $10 sweaters, jeans and tops] this year and will be better positioned to sell soft goods next year," Quinnell said. For competitive reasons, he declined to disclose what his chain had learned.

What Managers Influence: Survey

(Continued from page 4)

they impacted housewares, while one in 10 said their influence was felt in hardware and sporting goods.

The greater influence in marketing the two consumable departments is due to the volatile nature of the merchandise in these two areas—the continuous consumption of goods by consumers who exhibit local buying preference from an assortment of products.

Although consumers don't purchase housewares, hardware and sporting goods with the same frequency as the two consumable sections, local preferences—for instance, dinnerware patterns, the interest in professional power tools in exurban markets and salt water fishing gear for ocean communities—also are key factors in merchandising the three hard goods departments.

The merchandising influence of managers at the three major discounters—Wal-Mart, Kmart and Target—varied, reflecting different buying philosophies of the chains. Wal-Mart tends to give managers more say, while Target is oriented to greater control from headquarters and Kmart falls in between the two extremes.

Managers at all three chains felt they had the greatest influence in marketing food, candy and snacks. Half of Target's managers, one-third of Wal-Mart's managers and 28% of Kmart's managers said they influenced this category.

The situation changed significantly for health & beauty care, with 32% of Kmart's managers, 30% of Wal-Mart's managers and 11% of Target's mangers noting any impact here. The greater merchandising influence felt by Wal-Mart managers is evident in other categories as well: 24% noted household cleaners and chemicals; 20% cited housewares; 18% pointed to both hardware and sporting goods; 10% garden/lawn/patio.

Falling in the middle ground, Kmart managers cited housewares 22%, garden/lawn/patio 12%, sporting goods, toys and cosmetics, 10% each, and hardware 8%.

The circumscribed influence felt by Target managers was evident in the fact that only 7% said that they had a say in housewares, ladies' apparel and consumer electronics. No other category garnered even 5% of store managers.

The greatest marketing influence managers had was in determining how merchandise was displayed, with almost two-thirds noting they had a significant impact in this area.

Eight out of 10 Wal-Mart managers said they influence displays, while over half of the Kmart mangers felt the same way but only slightly more than one-third of Target managers cited any impact.

Managers noted much less input into other merchandising decisions: 28% noted a say in determining the amount of space given to different bands; 20% said they influenced which brands are promoted in their stores; 15% impact the decision on whether a brand is stocked in their stores; 13% said they influence headquarter buyers' decisions.

Here too, managers' influence varied by chain. Wal-Mart managers cited the greatest imput, with 38% saying they influenced both the amount of space and the promotion of brands, 36% the decision on which brands to stock and 12% the decisions of headquarter buyers.

Kmart managers' influence ranged from 22% for the space given to brands, 18% each for promotions and headquarter buyers' decisions and 8% on whether to stock a brand.

Only 9% of Target managers felt they impact the promotion of brands and whether to stock a brand, while 7% noted any influence on the space devoted to a brand and headquarter buyers' decisions.

Prange Way Adjusts Away From Parent

(Continued from page 3)

Sommer also appears in TV commercials sponsored by a state booster group called, "Buy Wisconsin First," in which he promotes locally made products and his chain.

In a merchandising shift to higher margin products, Prange Way is targeting its credit card customers with bill stuffers offering Wisconsin-made goods unavailable in its stores. They include: Flexible Flyer sleds, $39.99; Svoboda birdfeeders, $19.95; Svoboda mantle clock $299; and Stumpf Fiddle, $175.

Made in Sheboygan, the Stumpf Fiddle is a one-man-band percussion instrument with a bell, spring, wood sounding block and pie tins full of lead shot for musicians to beat on while pounding the whole contraption against the floor.

Bill stuffers also include a customer appreciation letter from Sommer that features a coupon good for 10% on the next purchase charged on a Prange Way credit card and a coupon for a $1.49 package of Prange Way peanut brittle.

Following a "tough spring," Prange Way enjoyed its "best third quarter in its history," Sommer said. Same store sales are flat this year, following a 3% decline in 1990.

As a private company, Prange Way declines to disclose sales and profits, however *DSN* estimates 1990 sales totaled $180 million.

Wal-Mart competes with Prange Way in nine of its 20 markets, but Sommer is confident that the worst of the impact of Wal-Mart's expansion into his home state is over.

When Wal-Mart comes to town, "our sales take a hit for a month or two but slowly come back," he said. Many of its stores are located in such small markets that Wal-Mart wouldn't be interested in coming in, Sommer said.

This year, Prange Way intends to replace its store in Madison and open an additional unit in an undisclosed market, Sommer said.

Jamesway Names Harris to VP Post

(Continued from page 3)

gain in profits, however, December sales were below plan.

Sales for the four weeks ended December 28, 1991 were $121 million, compared to $125.7 million a year earlier. The 1990 results did include 12 stores which the chain closed in March of 1991.

Same store sales for December increased 4% after sliding 6% in November.

Fisher noted that while store-for-store sales for December had improved over last year, they were still below plan. On the plus side, the December 1991 sales were less promotional than a year ago.

For the 47 weeks ended Dec. 28, 1991, sales were $811 million compared to $852 million for the same period a year earlier. Same store sales for the period increased 1%.

Jamesway operates 122 stores in seven Eastern states.

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Vol. 31, No. 2 January 20, 1992

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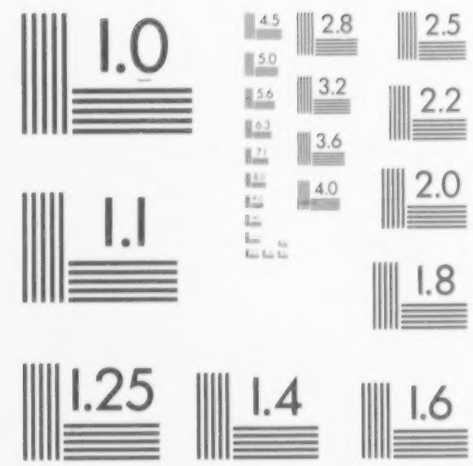
(ANSI and ISO TEST CHART No. 2)



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SECOND CLASS

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Ames: Worth More Alive Than Dead?

Reorganization Plan Uses 'Carrot & Stick' Incentives

By Pete Hisey

ROCKY HILL, Conn. — Ames' reorganization plan, filed Jan. 13, appears to have the backing of vendors and factors, but elements of the plan are likely to draw criticism from bondholders and its main lender, Citibank.

The plan will:

- Pay out some $352 million in cash (of which $52.5 million was paid to Citibank in June 1990) to secured and unsecured creditors ($191.6 million to the former and $160.9 million to the latter);
- Distribute 100% of the stock (100 million shares of common and another 100 million shares of preferred stock will be authorized under the plan) in a projected new corporation to secured and unsecured creditors against $1.6 billion in liabilities.

Since the value of a reorganized Ames is projected to be between $700 million and $750 million, that represents a bit more than 50 cents on the dollar.

The stock will be distributed as follows: 47% to secured creditors, mainly Citibank, who will then have recovered roughly 64 cents on the dollar; 46% to general creditors, mainly vendors, who will recover about 39 cents on the dollar; and 7% to bondholders, who will recover about 5 cents on the dollar. Stockholders will receive nothing, and negotiations are underway with an employees committee to pay out up to $2,000 per former employee in accrued vacation and sick time, as well as severance pay.

"We think we've presented a solid foundation for continuing negotiations," said chief financial officer Peter Thorner, referring to a hearing set for Feb. 13 that will pit Ames and its vendors against Citibank and other creditors. "We have attempted to balance differing views."

Ames contends in its plan that it is clearly worth more alive than dead. "There is no compelling reason for dissolution," Thorner said. "We have accomplished a $240 million turnaround since the Chapter 11 filing, our cash balances are higher than projections, and we have the support of our vendors."

The company recently reported a miniscule 0.2% increase in same store sales for the month of December, the fourth consecutive month of same store sales increases. "December results, coupled with the filing of our plan of reorganization Jan. 13, demonstrate Ames' significant progress toward emerging from Chapter 11 as a financially sound and viable competitor in the retail market," said chairman Stephen Pistner, who added that he was "delighted" with the November and December results.

Sales for December totaled $430.5 million, slightly less than projected, but expenses were also considerably lower than projected, resulting in a pretax, interest, Chapter 11 expense and reorganization

(Continued on page 47)

Making it a Great-land Year

One Out of Four New Targets Will Be Greatlands

By Richard Halverson

MINNEAPOLIS — Target's new Greatland superstore figures prominently in the chain's expansion plans for 1992, accounting for almost one out of four planned new units.

Moreover, "most" of the 20 to 25 stores that Target intends to open when it invades the new Chicago market in 1993 will be Greatlands.

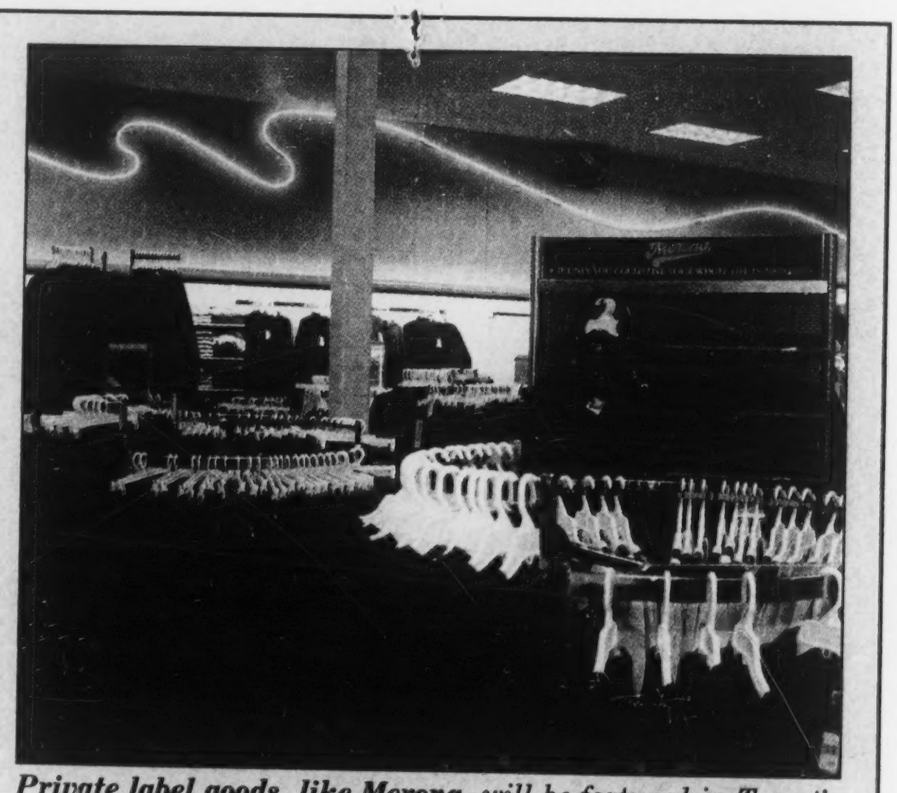
Out of 46 new stores that Target will open in three bunches in March, July and October, 11 will be Greatlands.

Moreover, Target is downsizing to a second, still-smaller prototype for Greatland. The first unit, opened in Apple Valley, outside Minneapolis in September 1990, came in at 169,000 sq. ft., the largest general merchandise store in the country.

But for the six Greatlands that it opened last October, three in Columbus, Ohio, one in Springfield, Ill., and units in the Minneapolis-St Paul suburbs of Plymouth and Shoreview, Target reduced its sights to a 135,000-sq.-ft. prototype.

The first three new Greatlands to open in 1992, all March 15, will also be 135,000 sq. ft.:

(Continued on page 50)



***Private label goods, like Merona,** will be featured in Target's new Everyday Hero specialty apparel store, opening in March.*

Newmark & Lewis: Another N.Y. Metro CE Chain Goes Out of Biz

By Pete Hisey

HICKSVILLE, N.Y. — Over 70 years of a metro New York retail heritage came to an end in mid-January when Newmark & Lewis decided to liquidate its business.

The company, which had filed for protection under Chapter 11 last year, was pounded by a rocky Christmas season in which it found itself out of stock on important holiday products. Company president Ron Fleisher traveled to the Consumer Electronics Show to attempt to sell the 14 remaining stores, but found no takers. Meanwhile, the chain continued to lose "millions" each month, with no short-term hope of a turnaround.

Newmark & Lewis, at its height two years ago, operated 67 stores with total sales of some $300 million, making it one of the largest regional CE chains in the United States. And, un-

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Chang

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**********ALL FOR STATE

Kmart Severs Ties with IMRA

By Don Longo

WASHINGTON — Kmart, the nation's second largest retailer, withdrew from the International Mass Retail Association because it felt that there was too much overlap of activities between IMRA and the National Retail Federa-

(Continued on page 50)

Target Closes the 'Gap' On Specialty Stores With New Apparel Unit

By Jill Lettich

MINNEAPOLIS — Target Stores will debut an all-apparel specialty store March 21. Called Everyday Hero, the first unit will be a 25,000-sq.-ft. store in the Knollwood Mall, located in the Minneapolis suburb of St. Louis Park.

A second Everyday Hero store is scheduled to open Aug. 7 in the 4.2 million-sq.-ft. Mall of America in Bloomington, Minn.

"A warm, comfortable specialty store feel" is the mood the new stores are after—a mood that will create an atmosphere much like The Gap and The Limited, but at a lower price point.

The specialty store tests are playing to Target's strengths in every area, particularly merchandising

(Continued on page 49)

Kmart Technology Improves Customer Service

By Arthur Markowitz

TROY, Mich. — Kmart plans to investigate five new technology projects designed to improve customer service as part of its growing commitment to using retail technology to make its stores more customer-friendly and easier to shop.

Last year, the discounter launched its initial customer service research and development effort by looking at five projects and eventually piloting two technology tests.

The two projects were:

- The ShopperTrak system, which is being tested in the Westwood, N.J., Kmart (see *DSN*, Oct. 7, 1991, page 6). It's due to be expanded from just monitoring shoppers entering the Kmart to tracking actual customer traffic within the store and in departments. Kmart is also considering installing ShopperTrak in five more stores.
- Interactive multimedia kiosks are being tested in four departments in three Detroit stores (see *DSN*, Jan. 20, page 39), and as a department locator/'electronic flyer' terminal. Kmart plans to end this project next month and then evaluate the results before deciding on such steps as further tests, upgrading the kiosks to include selling merchandise for home delivery or rolling out the terminals to more stores.

Kmart's Corporate Information Systems' Research and Development group proposes projects based on its own research and ideas presented by technology vendors. Based on recommendations from the R&D group, an R&D steering committee which is composed of seven top Kmart executives, selects the projects that are probed in-depth.

The retailer started its customer service R&D effort a year ago when chairman Joseph Antonini charged the R&D group with using technology "to push the envelop of customer service," said David M. Carlson, senior vice president, CIS, during a demonstration of the kiosk system at last month's National Retail Federation's annual convention which was held in New York.

Kmart declined to identify the three technologies it didn't pilot last year; one is now being pursued by another discounter. This year's projects are to be selected shortly.

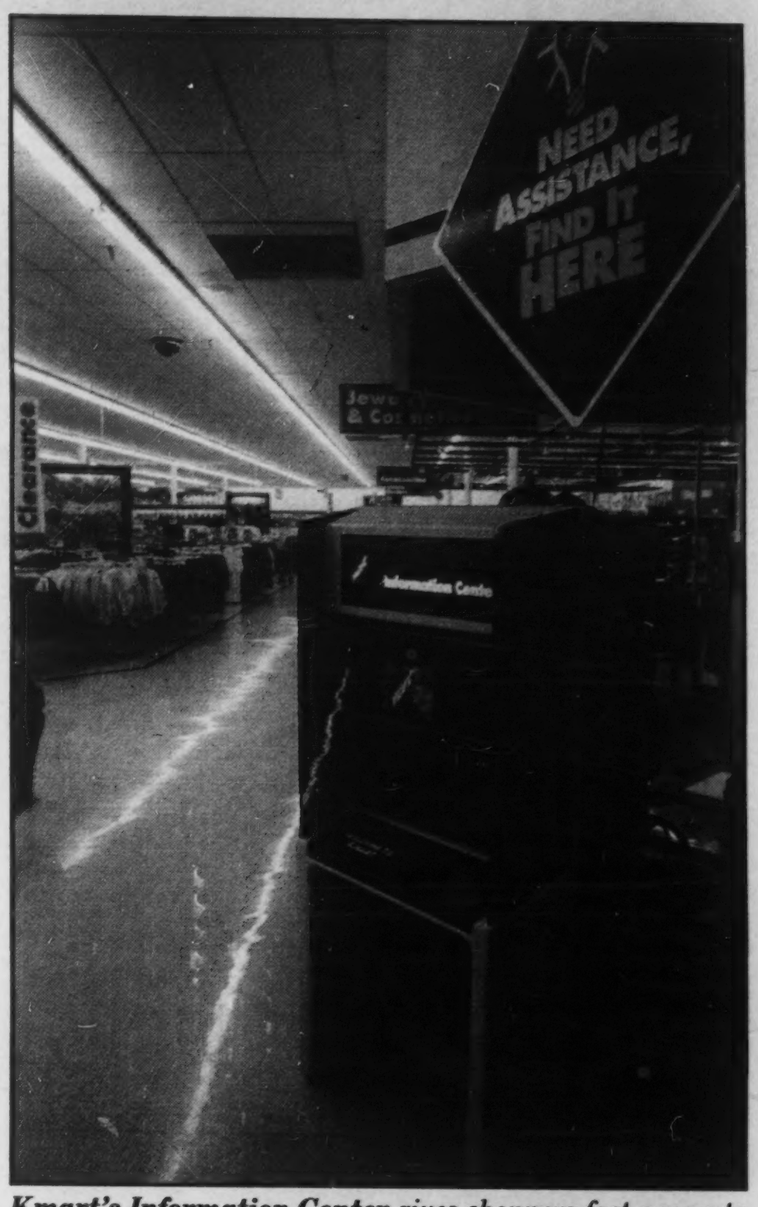
Kmart looked at ShopperTrak, developed by Datatec Industries, after Antonini read about the technology in *Business Week* magazine. The retailer asked vendors for RFPs (requests for proposals) for kiosk technology and IBM, working with DCI Marketing, won the bid.

ShopperTrak's monitoring of customers entering the Westwood store is correlated with the number of transactions so that Kmart can determine the conversion rate of shoppers who actually purchase goods. Extending the test to real-time tracking of customers traffic throughout the store and in individual departments would enable Kmart to obtain more specific conversion information.

This finer level of information would allow Kmart to achieve a number of customer service objectives. These include sending clerks to busy areas and opening more checkouts before long lines develop. The discounter could also get a better fix on store layouts, the effectiveness of merchandising programs for specific departments and efforts to switch browsers to customers.

The Information Center projects involve five kiosks each in the Oak Park, Pontiac and Rochester, Mich., Kmarts. Each terminal costs between $10,000 and $15,000, apart from the software.

The terminals contain an IBM PS/2 model 57 PC, IBM model 8560 touch screen and a Magamtic printer. IBM uses its DVI (data video interchange) technology so that the kiosk's sound and motion come off the pc's hard drive without the need for CD-ROM, laser disk or VCR peripherals.



***Kmart's Information Center** gives shoppers fast access to store and product information with touch screen technology.*

One kiosk is at the front of the store and features a full-motion video of Antonini welcoming shoppers. Customers can use the terminal to see a floor plan of the store and also learn what merchandise is on sale. This electronic flyer is updated weekly via a floppy disk, but should the project eventually be rolled out to more stores, Kmart would use its satellite network to download the sales merchandise information onto the pc's hard disk.

The other kiosks, each with slightly different functions, are located in the automotive, consumer electronic, home decor and home entertainment departments. Each terminal features only the merchandise in that department.

(Continued on page 46)

Economists Discuss Retail Outlook at NRF

NEW YORK — With the backdrop of low consumer confidence, rising unemployment and depressed retail sales, four of the nation's leading economists did little to ease retailers' fears that 1992 will bring more of the same.

Predicting a modest to a robust recovery this year after the first half, the economists, speaking at a National Retail Federation seminar, "The Economic Consumer and Retail Outlook," agreed that a quick, full-fledged recovery is not in the cards. American consumers are still too worried about the security of their jobs and the stability of their own personal finances to lift the economy out of its doldrums.

Thousands of people looking for insight and answers to the depressed retail landscape packed a meeting room to hear from Richard Curtin, director, surveys of consumers, Institute for Social Research, University of Michigan at Ann Arbor; Stephen Roach, principal and senior economist, Morgan Stanley; Allen Sinai, president and chief executive, The Boston Company Economic Advisors; and Carl Steidtmann, vice president, chief economist, Management Horizons.

The seminar was moderated by Joseph Antonini, chairman and ceo of Kmart and first vice chairman of the National Retail Federation. Antonini began the meeting by declaring that consumers will look for value in the 1990s and that "the greed of the '80s is gone." He concluded the meeting by stating: "If retailers understand the consumer, they'll get the business," a point the economists generally agreed with

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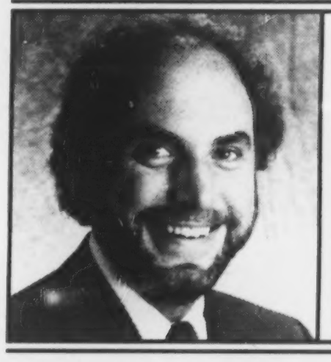
EDITORIAL

Closer Ties Could Benefit IMRA, NRF

There's a schism of sorts in the retailing industry that has made the headlines (see page 1) and rekindled the rivalry between the two largest retail trade associations in the United States—the International Mass Retail Association and the National Retail Federation.

The latest controversy centers on the withdrawal of Kmart Corp. as a member of IMRA, which was the subject of a letter from IMRA president Bob Verdisco to its members. The letter expressed regret about Kmart's decision to withdraw from "the only trade association entirely focused on the mass merchandise retail industry," and congratulated Kmart chairman Joseph Antonini for being elected chairman of a "trade association comprised primarily of department and specialty stores."



TONY LISANTI
Editor

Coincidentally, the letter was dated Jan. 14, the second day of NRF's annual convention, during which Antonini was inducted as chairman of NRF, and proposed a merger of the two associations. A merger had been previously proposed last May, but was rejected by IMRA's board.

One argument for a merger is a stronger and more powerful voice for all of retailing. But this isn't necessarily the case. I believe that both organizations are strong, viable and well-run, but the majority of their constituents are better served separately by each association. NRF's membership is still primarily department stores and high-end specialty retailers and independents, while IMRA is clearly the voice of mass retailing.

At this point in time, a total merger is unlikely. However, a closer working relationship is possible. One of the buzzwords of the 1990s is "partnership," and these two trade associations should practice what they preach.

And there is no reason why this isn't possible. In fact, I am willing to serve as a facilitator to help explore opportunities whereby both associations can work together.

While there is some overlap—albeit minimal—among members, issues and conferences, there is a potential for joint programs in some areas including ADA, human resources, legislative and international development.

BUYERS & SELLERS

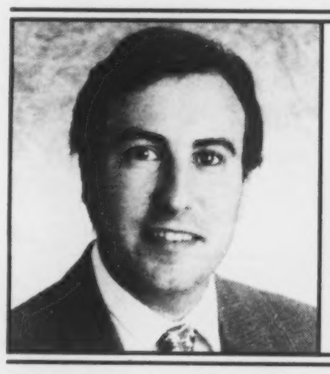
How a Trade Newspaper Should Serve Industry

What role can and should a trade publication play in the industry it serves?

That's a question that is often debated at gatherings of business press professionals as well as among retail industry executives.

One of the obligations of an effective trade publication is to bring buyer and seller together so they can more effectively sell their products. *DSN* has a long history of doing this through unique programs, such as SPARC (Supplier Performance Awards by Retail Category).

However, a viable trade publication is *not* a public relations vehicle for the industry. Credibility is the basis for everything useful that a trade publication can accomplish.



DON LONGO
Exec Editor

For example, *DSN* does not allow the subjects of its stories to approve articles before they are printed. In *DSN*, advertisements are clearly advertisements and are labeled as such when they even remotely resemble news pages. Advertisers are treated as valued customers and readers, but will never dictate the contents of *DSN*'s news pages.

DSN has no sacred cows. It supports the efforts of the International Mass Retail Association and many other trade associations. And retailers, suppliers or distributors get no special treatment due to their size or stature in the industry.

Objectivity and fairness are the driving factors in *DSN*'s coverage of industry news. Anonymous quotes are the exception, rather than the rule, in the pages of *DSN*. Furthermore, *DSN* editors must verify such anonymous information with at least three independent sources.

Readers have a right to disagree with our articles, and *DSN* offers readers an opportunity to voice their opinions through its Letters column.

This newspaper's editorial function is not necessarily to please the discount industry, but to help lead it. *DSN* is the authoritative source of information for the mass retailing industry. Its mission is to gather and disseminate information that helps retailers and manufacturers to make better decisions and be more successful in their business.

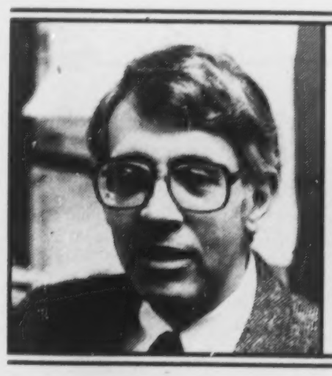
TAKING STOCK

Nyet for American Retailers in New Russia

American retailers for the next few years should forget about participating in the transformation of the former Soviet Union into the free-market Commonwealth of Independent States.

The outlook for manufacturers is brighter. U.S. suppliers will likely be selling goods to nascent businesses in economically advanced republics—Russia, the Ukraine and Belorus—within a year or two.

This is how an American businessman (who doesn't want to be identified) sees the situation. He works for a major Wall Street firm, is fluent in Russian, and spends weeks at a time in Russia trading natural resources—the major products the Commonwealtns can export for hard currency.



ARTHUR MARKOWITZ
Senior Editor

His insight on why American retailers can't open stores in the Commonwealth runs as follows:

There's no manufacturing base to provide the quantity or variety of merchandise to support either a mass market chain like a discounter or a narrow specialty operation like an apparel store. The only free-market experience factories had in the Soviet Union was making goods after meeting quotas set by Moscow. And this production was usually sold by workers to supplement their income, traded for scarce goods from other factories or used as bribes to obtain raw material to manufacture more "illegal" merchandise.

Under the Soviet system, there wasn't any incentive to produce more or better quality goods because there wasn't any national distribution network as roads were poor or non-existent and trucks were owned by the state, which wasn't concerned about distributing consumer goods. Additionally, the ruble was worthless and bribery (see above) was the key form of payment for anything of value.

The individual republics will have to overcome these problems before American retailers can expect to open profitable stores. The key question, he said, was whether the current leaders can manage the transformation or whether some strongman takes over in the next few months.

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New Technology to Improve Customer Service

(Continued from page 2)

The auto kiosks enable shoppers to obtain parts information by asking questions on the model, make and year of their car. It then lists the correct part and suggests tie-in items, such as all the light bulbs should a shopper inquire about headlights.

The home entertainment kiosks show the cover and a list of songs on cassettes and CDs in addition to prerecorded videos carried in the stores. Shoppers can hear 20 seconds of music from a tape's top song or the voice-over promotion for a video.

The kiosks in the CE department provide information on the TVs, VCRs and other electronics carried by Kmart, including features, comparison information and photos of the items.

The home decor terminals present fashion and decorating ideas for tabletop and bed & bath merchandise, showing what a room would look like using different products. An experimental kiosk, it's the only one that doesn't provide information a customer can use to purchase merchandise.

Kmart's current test doesn't involve the kiosk's credit card reader. Using this technology would allow a consumer to actually buy merchandise shown on the kiosk—even if the goods aren't stocked in Kmart—for home delivery. The discounter is interested in probing the use of the terminals to develop such business if it could resolve the logistics and delivery problems, one source said.

Once the initial kiosk pilot is completed next month, Kmart will look at how shoppers use the terminals and measure sales to see if the interactive technology improved the stores' customer service and promoted more purchases. Kmart will also conduct exit and focus group interviews as part of its review.

The kiosks in the auto, consumer electronics and home entertainment offered shoppers a coupon good for 50 cents off any purchase in that department to encourage customers to use the terminals and thereby insure a base of users for the interviews.

Carlson said Kmart didn't have any preconceived ideas about the kiosks. "This is true R&D, we and our partners are pushing the envelop," he said, noting that Kmart wanted to learn how the various terminals can be used to improve the chain's customer service.

He indicated that more tests of kiosks were likely this year and if the project was successful, a roll out of the technology could take place in 1993.

Should Kmart deploy ShopperTrak and/or the Information Center kiosks, it would link these systems to its satellite network and require that the technology be compatible with Unix, the computer operating system that it's phasing in for all its retail technology.

Environment Key To First Brands

DANBURY, Conn. — Placing new emphasis on environmental matters, First Brands has designated a separate department to address green concerns and has promoted Patrick J. O'Brien to the new post of director of environmental affairs.

The new department will address environmental issues on a team basis, said chairman and ceo Alfred E. Dudley, and draw on the talents of First Brands managers in legal, marketing, technical and legislative affairs.

O'Brien will now be responsible for intensified public education, government relations and business relations as they relate to the environment.

Economic Picture Remains Unclear

Leading Economists Discuss Retail Outlook at NRF

(Continued from page 2)

during their statements.

The pendulum of economic optimism swung widely among the economists. It ran from Steidtmann who said the United States is in a depression and that 1992 will experience more bank failures than 1991.

He also noted that "new wave" retailers like The Gap, Home Depot and Wal-Mart will continue to do well since they've focused on the specific needs of their consumers and suppliers.

On the other end was Roach, who admitted that the recession is turning out to be longer than anticipated but will give way this year to a stronger and more durable recovery than previous recessions.

Curtin and Sinai were more middle-of-the-road in their evaluations of the recession and its recovery.

Curtin, who released the results of his December consumer confidence survey, which showed that consumer confidence is at a 10-year low, also feels that the recession has stalled. However, no improvement is expected until mid-year.

In his survey, Curtin said consumer pessimism is linked to weakened personal finances and rising unemployment.

Sinai predicted a better 1992, Christmas included, than 1991, but emphasized that consumers will be more value-conscious than ever.

For '92, Sinai said the economy will "click into a mild recovery, we think" during the second half of the year. He also predicted 1.5% to 2% real growth for '92, inflation at 2.5% to 3%, retail sales up 3% to 4%, or up 1% in consumer terms.

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Vol. 31, No. 3 February 3, 1992

KNOCK, KNOCK.

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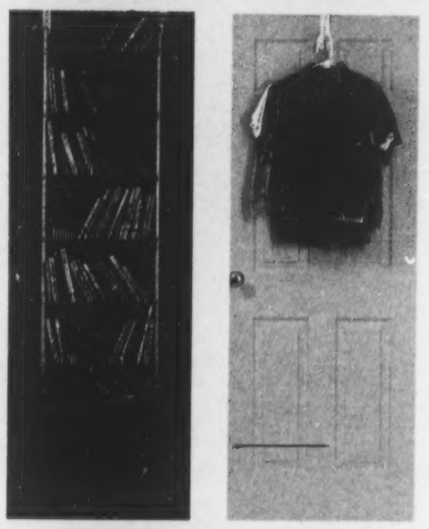

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Fleece not a sheepish category

Discounters dominate

Where do you most often shop for children's fleece	Total Mothers	Mothers of Boys	Mothers of Girls	Mother's Age 18-29	Mother's Age 30-39	Mother's Age 40+	Under $20K	Income $20K-$39.9K	$40K+
Discount store	48%	45%	45%	53%	44%	36%	57%	54%	31%
Department store	34	31	38	34	34	39	28	33	36
Off-price store/ factory outlet	6	5	6	2	8	5	2	1	13
Sears	4	5	3	1	5	5	2	7	3
Children's specialty store	3	2	3	4	3	2	3	1	4
Catalog/ mail order	1	1	1	1	1	—	2	—	—
Other	3	10	2	2	5	10	5	3	12
Don't know	1	1	2	2	1	3	1	1	1

Source: The Gallup Organization for *AM*.

Ask a group of mothers about their views on proper child rearing and a lively, diverse discussion will undoubtedly ensue. However, if the conversation turns to clothing the kids there will surely be a point of agreement. Virtually all of the women will concur that fleece is an important part of their childrens' wardrobes.

In fact, if the group is typical, close to a fifth, 18%, shop for fleece for their children every month. According to a new study conducted by The Gallup Organization exclusively for *Apparel Merchandising*, some mothers will shop for sweats even more frequently. About nine respondents in a hundred shop for children's fleece two or three times a month.

Mothers of little girls, under six years of age, make fleece purchases with the greatest frequency, about two or three times a month.

The survey, which was based on telephone conversations with a nationally representative sample of mothers with children who are 12 years old or younger, points out that more than 94% of the nation's mothers buy fleece for their children.

Mothers of little girls, under six years of age, make fleece purchases with the greatest frequency. Thirteen percent of this group shop for fleece two or three times a month, while 10% of the mothers of under-six boys replenish their sons' sweats that often. Twenty-five percent of the mothers of young boys hit the retail floors looking for fleece once a month compared with 16% of the mothers of under-six girls.

Opportunities for discount store retailers abound in children's fleece, according to the study. Nearly 45% of those queried say they shop most often for their children's fleece at these outlets. Only slightly more than a third, 34%, choose department stores most frequently.

The low pricing strategies of discount stores apparently attract the mothers of young children—everyone knows these tikes go through size ranges at breakneck speed—in particular. More than half, 53%, of the respondents with boys under six shop most often at discount stores for fleece clothing. About 50% of the little girls' moms choose these operations for fleece purchases.

Only about 6% of the total group named off-price outlets (for purposes of the study Kids 'R' Us was included in this group) as their primary fleece purchasing stores. However, it is interesting to note that those respondents in the highest—above $40,000 a year—household income group pick off-price stores twice as often as the respondent group as a whole; more than 13% of the women in the higher income segment say these types of stores are most favored for children's fleece purchases.

The median price mothers expect to pay for a child's fleece garment—it's the same for tops and bottoms—is $8.

It's comes as no surprise that mothers who favor buying fleece at discount stores also expect to pay less than those who shop at other types of operations. About 15% of the discount store shoppers, for example, expect to pay under $5 for a child's fleece top. A fifth of these women say they'll pay $5 to $5.99 for the garment, while nearly two-thirds of the discount store shoppers expect to pay less than $8 for a sweatshirt.

By comparison, only a quarter of the mothers who normally buy their children's fleece at department stores expect to pay less than $8 for a top. About 26% of the department store customers will pay from $10 to $12.99 for children's fleece tops. Only 14% of the discount store shoppers say they'll pay that much.

Many merchants are apparently in good positions in regard to their fleece pricing. A large number sell their children's fleece products at prices that cor- ➤

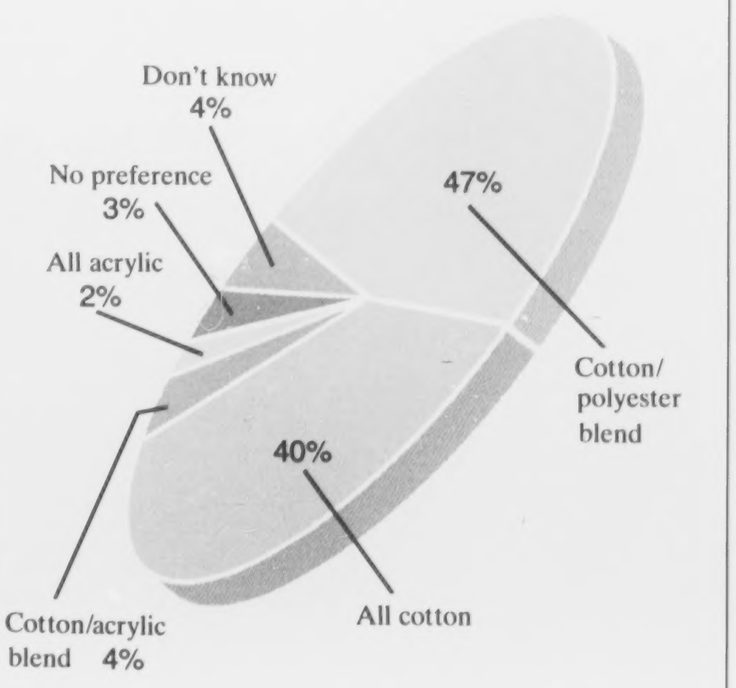
Nearly a fifth of the mothers, 18%, shop for fleece for their children each month

How often do you shop for children's fleece clothing?	Total Mothers	Mothers of Boys	Mothers of Girls
Once a week or more often	1%	1%	2%
Two or three times a month	9	7	10
Once a month	18	20	16
Every couple of months	23	27	18
Twice a year	30	27	34
Once a year	12	12	11
Less than once a year	—	1	—
Only when needed	1	—	2
Never	5	4	6
Don't know	1	1	1

Source: The Gallup Organization for *AM*

Cotton is key

(Which type of fleece clothing do you prefer to purchase for your child?)



Source: The Gallup Organization for *AM*.

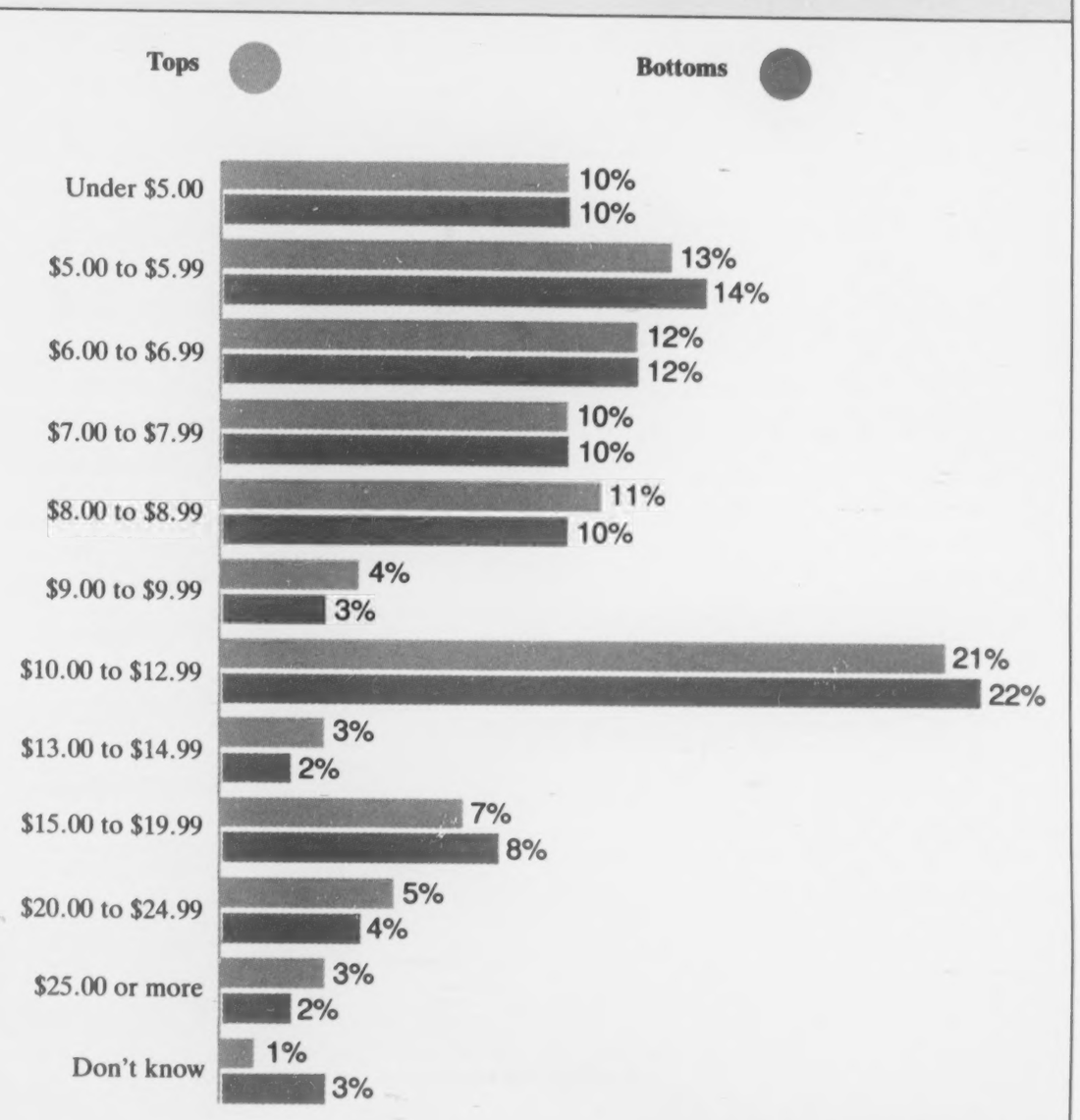
Sweats made from cotton/polyester yarns, the most common fleece composition, are the preference of nearly half of the fleece-buying moms.

respond closely to the spending expectations of mothers. Their assortments are also basically in synch with customers' desires in terms of fiber content.

Sweats made from cotton/polyester yarns, the most common fleece composition at all levels of retail distribution, are also the preference of nearly half of the fleece-buying moms. Forty-seven percent of the group surveyed say they prefer buying that blend for their children.

Interestingly, boys' mothers are significantly more attracted to cotton/polyester fleece than the mothers of girls. More than 53% of the boys' mothers prefer cotton/polyester blends. Perhaps because of the fabric's care and wear performance qualities, a whopping 62% of the moms with under-six boys say they like to buy the blend. By comparison, 40% of the younger and older girls' mothers prefer purchasing cotton/polyester blend fleece for their daughters.

Mothers expect to pay similar prices for fleece tops and bottoms



Source: The Gallup Organization for *AM*

Although higher price points could very well limit its appeal, all-cotton children's fleece may be an underdeveloped manufacturing and retailing opportunity.

Forty percent of the mothers queried say they prefer buying all-cotton sweats for their children. Girls' moms show the greatest inclination to go natural. Nearly half, 48%, of them say they like to buy all-cotton fleece. Fifty-one percent of the women with daughters in the six-to-12 age range say they prefer to purchase cotton fleece for their offspring, while 45% of the mothers of under-six girls choose fleece crafted from that fiber.

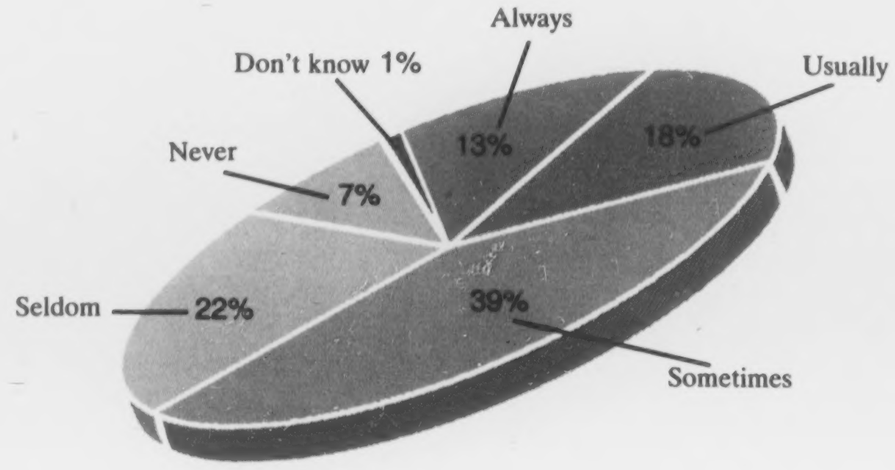
Only about a third, 33%, of the boys' mothers prefer to buy all-cotton fleece. It is the mothers of the older, six- to 12-year-old boys who, like their counterparts with female children, are more prone to buy cotton. Nearly four-in-ten, 39%, say they prefer to buy all-cotton fleece. Closer to a quarter, 27%, of the little boys' moms choose cotton.

Considering that apparel made from 100% cotton fleece constitutes a very small percentage of children's wear sales, it is noteworthy that many mothers appear willing to purchase garments made from the fabric.

Producers and retailers of blended and all-acrylic fleece ought to brush up their marketing efforts, the study indicates. Only 2% of the fleece-buying survey participants have a preference for all-acrylic product. Four percent say they like to purchase cotton/acrylic blends.

Most mothers buy brands

(When you shop for children's fleece, how often do you buy brand name items?)



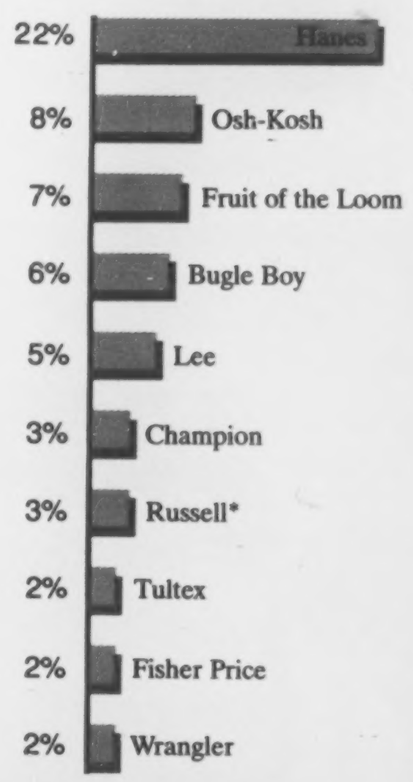
Source: The Gallup Organization for *AM*.

The marketing of brands, however, is apparently having the desired impact on consumers. More than two-thirds, 70%, of those queried say they buy brand-name fleece for their children at least some of the time. Thirteen percent "always" stick with branded goods, while 18% "usually" do. Few mothers, 7%, "never" buy brands, though more than one-in-five, 22%, "seldom" purchase them.

The most frequently named label, by far, is Hanes, which was identified as their choice by 22% of the mothers who buy branded fleece at least sometimes. Osh-Kosh received 8% of the mentions followed by Fruit of the Loom, 7%, and Bugle Boy, 6%. Others in the top ten are Lee, 5%; Champion, 3%; Russell, 3%; Tultex, 2%; Fisher Price, 2% and Wrangler, 2%.

The top 10 children's fleece brands

(Which brand of fleece do you usually purchase)



*Does not include Jerzees label.
Source: The Gallup Organization for *AM*.

Fleece, perhaps because of the intrinsic comfort of the garments crafted from the fabric, has become a children's wear classic. Its popularity shows no signs of abating. By continuing to be sensitive to consumer price expectations, and by supplying their customers with an ample assortment of brands, merchants should be able to sustain the business at levels that won't cause them to sweat the bottom line.

C5150-3

Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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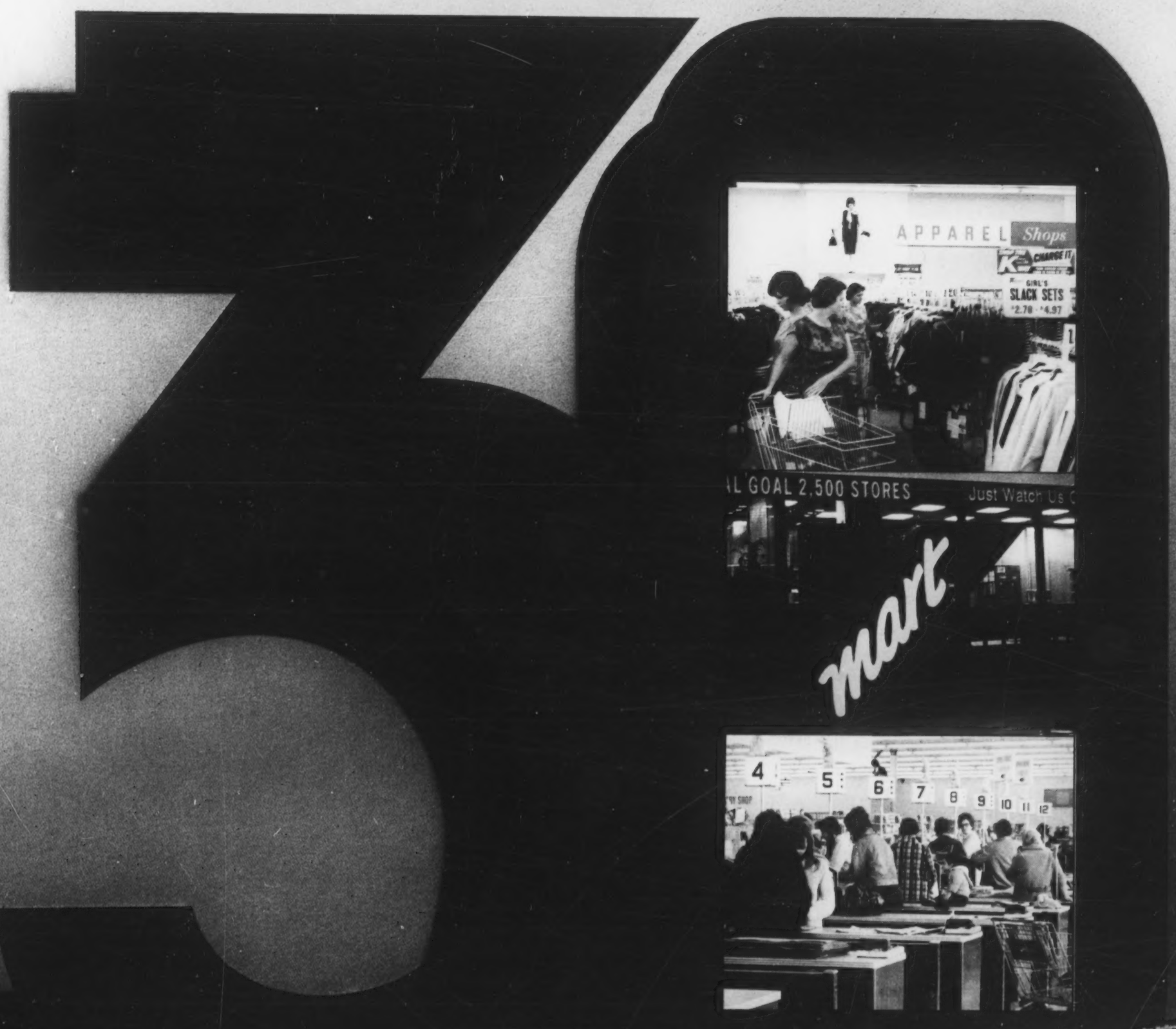
30 Years of Kmart

A look at the past and future of 'America's Favorite Store' through the pages of Discount Store News



From the opening of its first store in Garden City, Mich., March 9, 1962, Kmart has defined and symbolized the discount department store industry. Now, the Troy, Mich.-based chain is remaking its image and its efforts are likely to have repercussions throughout the world of retailing.

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New Year Brings Stronger Sales to Discount Retailers

Nationwide DSN Report

Santa came a month late this year, but discount retailers, who suffered through a weak Christmas, reported record January sales, as consumers flocked to various discount and specialty outlets throughout the month.

Comparable store sales (admittedly competing with a weak January 1991, when consumers stayed home following the Gulf War coverage) leaped across the board. Wal-Mart, which is pulling away from the pack as the nation's No. 1 retailer, reported a strong Christmas, and did even better in January, with same store sales rising 13%. Same store growth at Kmart was a solid 6.2%, and Jamesway, which had been in the doldrums most of the year, shot up 6% during the month. Caldor, which reported a soft Christmas, saw same store sales rise 4.2% in January.

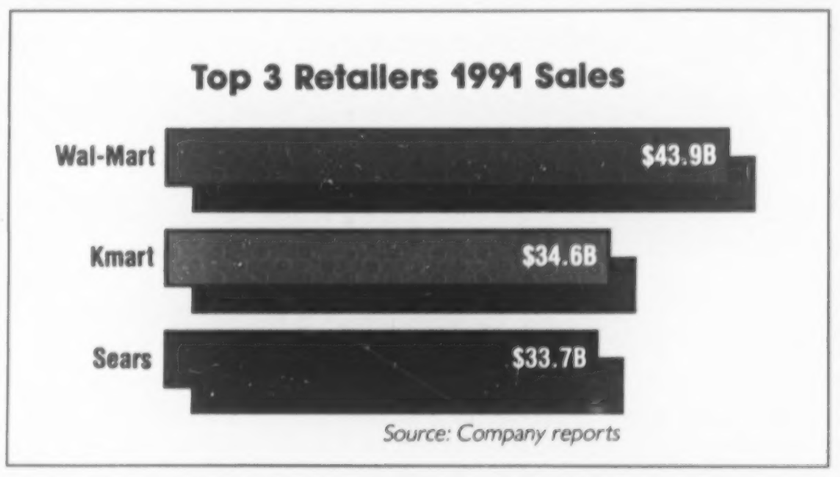
Target's total sales increased 23%, while same store sales rose 13% in January; sister chain Mervyn's sales rose 9% (3% comp) in the month. "Although January sales were better than expected at both our Target and Mervyn's divisions, sales volume continues to be promotionally and clearance driven," said Stephen Watson, president of parent Dayton Hudson Corp. Not unexpectedly, the department store division's sales were flat.

Value City Department Stores reported that comp store sales in January rose 9.2%. "Our strong January sales results continue to confirm that consumers are increasingly more value oriented. Our opportunistic strategy enables us to be well positioned for growth," commented Jay Schottenstein, chief executive. ShopKo same store sales rose 7.2% for the month, but only 1.8% for the year, with an overall sales increase of 6.8% to $1.62 billion.

If discount department stores fattened up after a lean Christmas, deep discounters went hog-wild. Dollar General's same store sales exploded, rising 27.8% for the month and 16.3% for the quarter. Pic 'n Save (which is changing its store names to MacFrugal's) reported same store growth of 17.7% for January, compared to a 2.7% same store increase for the year as a whole. And Consolidated Stores' same store results rose 12% for the month, 5.6% overall.

The specialty arena was nearly as strong. Best Buy same store sales skyrocketed, rising

(Continued on page 142)



Most Discounters Report 1991 Gains

Nationwide DSN Report

Year-end '91 results, while nowhere near as dramatic as January sales, were solid for most discounters.

Wal-Mart, as usual, led the pack, with $43.9 billion in sales, up a whopping 35% from the $32.6 billion sales of 1991. Kmart's sales rose 7.8% to $34.6 billion, meaning that Wal-Mart now has a $10 billion lead over its nearest competitor. The Sears Merchandise Group slipped further behind, with total retail sales of $33.7 billion, down from $33.9 billion last year.

Caldor sales rose 5.7% for the year, to $1.87 billion, although same store sales for the year were down slightly, by 0.4%. Jamesway's sales declined, due to store closings, from $896.6 million to $855.1 million, but same store sales rose 1% for the year.

Rose's 1991 sales dipped slightly to $1.4 billion, from $1.5 billion the year before. Same store sales were down 0.5%. Venture reported that sales rose 7.2% to $1.52 billion for 1991. Same store sales gained 3.4%.

Dollar General's sales for the year rose 16% to $750.9 million, on an 11.1% same store sales increase, while Consolidated Stores' sales rose 13.7%, with a 5.6% same store increase. Pic 'n Save's sales increased a more modest 6.7% to $542.7 million, with same store sales increases of 2.7%.

Specialty apparel retailing had a strong year. Charming Shoppes sales rose 15% to $1.02 billion, with a same store increase of 6%, while Ross Stores did

(Continued on page 147)

Toys 'R' Us Comes Into Japan

Japan's Retailers React to U.S. Category Killer

Special to DSN

TOKYO — "Since our inception, our corporate philosophy has been to do whatever it takes to accomplish our goals," said Robert C. Nakasone, vice chairman of Toys "R" Us, addressing over 100 reporters gathered here at a recent press conference.

This statement, coming against the backdrop of recent Japanese retail industry speculation on the consequences of Toys "R" Us' entry in the market, appears to some Japanese retailers as a declaration of war. If anything, this perception was strengthened by President Bush's visit to the American retail giant's initial unit here in Tsukuba during his recent trip to Japan.

(Continued on page 142)

***Daikuma, the 18-store discount arm of Ito Yokado,** is one Japanese retailer likely to be affected by TRU's entry into the country.* (DSN photo)

Bi-Mart, Sportings Goods Chains for Sale

Nationwide DSN Report

Oil and retailing mix no better than oil and water.

Pacific Enterprises, the oil and gas holding company that owns the 42-unit Bi-Mart discount chain, as well as the largest group of sporting goods stores in the country, found that out the hard way. The company is putting five of its retail chains on the block. For now, it is retaining a sixth chain, the money-losing Thrifty Drug store chain of 618 units, because it hopes to turn it around and land a better price later.

If Bi-Mart, Eugene, Ore., finds a ready buyer, it would make the third time the chain will have changed hands in eight years. Pacific obtained the discounter in May 1988 when it acquired its previous parent, Pay 'n Save, Inc., through a stock deal valued at $232 million from a holding company controlled by the New York investors, Eddie and Julius Trump (no relation to Donald).

In 1984, the Trumps had obtained Pay 'n Save and its Bi-Mart chain in a leveraged buyout but sold the money-losing company when their Northern Automotive Group suffered cash flow problems after a spate of acquisitions.

After closing a store last summer, Bi-Mart operates 42 units averaging 30,000 sq. ft. in Oregon and Washington.

Also on the block are: three sporting goods chains, Big 5, MC Sporting Goods and Gart Bros., with a combined store count of 266; the 126-unit Pay 'n Save drug store chain, Seattle, Wash., and Pacific's oil and gas exploration and production company.

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Toy Fair Buyers Thinking Basic — page 129

IMRA Withdraws From NRF; No Merger Planned

WASHINGTON — Hoping to quash all speculation on a possible merger, International Mass Retail Association president Robert Verdisco last week notified National Retail Federation president John Schultz that IMRA was withdrawing from NRF and would not entertain any offers to combine the two organizations.

Verdisco noted several reasons for the action, but the most important, according to IMRA board chairman Warren White, is "the desirability of avoiding any confusion as to which organization represent(s) the mass retail industry." NRF has been known traditionally as the voice of the department store industry, while IMRA has clearly been identified with discounters and category killers.

IMRA also noted that NRF had been quoted in some trade publications as suggesting a merger between the two trade associations.

The stage for the latest move in a longtime adversarial relationship was set in early January when Kmart chairman and ceo Joseph Antonini was elected chairman of the NRF. Kmart previously resigned from IMRA, stating that the two organizations overlapped too much.

For years, Kmart's archrival Wal-Mart has been an active supporter of IMRA. Kmart became an IMRA member when the Association of General Merchandise Chains (to which it belonged) merged with the National Mass Retail Institute in 1987 to form IMRA. Since the merger, Kmart's participation in IMRA conventions and conferences had been spotty, but improving in recent years.

Wal-Mart, on the other hand, tends to turn out en masse for IMRA's annual convention, and has increasingly played a prominent role in the organization's workshops and seminar series. In recent months, president David Glass; senior vice president, store planning, Mel Redman and several others have delivered keynote addresses at IMRA functions.

IMRA noted that NRF often opposes, or fails to act on, legal and legislative issues that IMRA actively supports, and that by withdrawing, IMRA is removing "any confusion as to which organization speaks for the mass retail industry."

White added that the decision to leave and to not accept any invitation to discuss a merger was made to make "crystal clear that IMRA had no interest in any merger and that it would not entertain any invitation on the matter."

Cooperation Will Continue

Verdisco, however, noted that IMRA would continue to cooperate with NRF on issues of mutual concern.

NRF governmental and public affairs division president Tracy Mullin expressed "regret that IMRA has decided to cease working together with the NRF. We have addressed many mutual issues, and now that will be made more difficult." However, she noted, NRF is a wide-spectrum retail organization that represents food, drug, discount and department store outlets. "We are a broad-based organization, and the perception that we represent only the department stores is just foolish," she said.

As for merger rumors, she said that while the subject was probably addressed at some level, no formal offer had been made, to her knowledge. "I just think that after the ARF/NRMA merger allowed us to speak with one voice in Washington, a lot of people thought it was the next logical step to include IMRA in that voice," Mullin posited.

Sears Restructures Its Automotives Subsidiary

CHICAGO — In hopes of achieving greater efficiencies, Sears, Roebuck & Co. consolidated management responsibility of its Western Auto subsidiary with that of its Sears store automotive operations.

Western Auto chairman and chief executive officer John T. Lundegard will command the new Sears automotive group from his offices in Kansas City, Mo.

As such, he will be responsible for the 875 Sears store automotive centers, including 21 freestanding units, and the 548 Western Auto stores, including its tires-only chains, Tire America and National Tire Warehouse.

No Layoffs Expected

No layoffs from the consolidation are expected, a Sears spokesman said. Both organizations will maintain separate headquarters staffs.

Sears expects certain efficiencies, such as sharing systems, to result from the managerial move.

The consolidation at the top removes Western Auto from the control of Sears specialty merchandising division and places it under its retail operations group.

Lundegard reports to Forrest R. Hasselton, who recently was promoted to president, Sears retail, from vice president Sears automotive.

Albert F. Dombrowski, who replaced Hasselton in the automotives slot, will report to Lundegard. John Leach continues as president and chief operating officer of Western Auto.

Western Auto operates 370 company-owned stores and plans to open about 25 more this year. In addition, it owns 101 Tire America stores and 74 NTW units.

Its wholesale division derives revenues from selling to three Western Auto franchised stores, with 20 more expected this year, 38 NTW franchised stores and 1,012 associate stores.

Associate stores aren't true franchised units but carry the Western Auto name. In previous years, many were tiny mom & pop operations serving rural outposts and offering a home and auto merchandise mix, but Western Auto has weeded most of them out. It once supplied 2,600 such units.

Western Auto generated an estimated $1.3 billion in revenues in 1990, but Sears declined to break out actual sales of such subsidiaries from its overall retail figures.

Discounters Discuss Retailing

***1991 was a tough year** for housewares retailing, according to panelists at the Retail Forum, a roundtable discussion sponsored by Discount Store News at the Housewares Show last month. (From left) Tony Lisanti, editor DSN; Bob Sasser, vice president, general merchandise manager, hard lines with Rose's Stores; Garry Dial, vice president, general merchandise manager at Pamida Stores; and Marilyn Gill, senior vice president, merchandising with the Waccamaw housewares and home decor specialty chain discuss retail issues during the forum, held in cooperation with the National Housewares Manufacturer's Association. DSN senior editor, Mary Ellen Kelly, moderated.*

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EDITORIAL

Maybe Kmart Should Lead Macy's Parade

Stranger things have been proposed, and certainly, stranger things have happened. But the more you think about it, the more you're gonna like the idea.

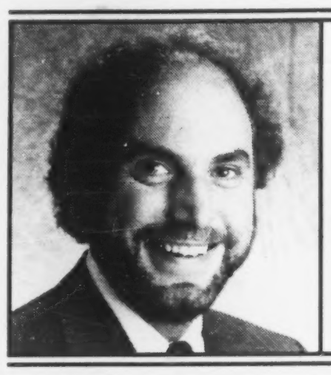
Despite its Chapter 11 filing, Macy's still claims it will continue to sponsor its Thanksgiving Day Parade. But, just in case the troubled department store chain must relinquish the honor, the tradition must continue, right? And, if so, why not Kmart?

Kmart, which will celebrate its 30th birthday March 1, is rich in tradition, family and Americana. Therefore, as one of the nation's largest operators of retail stores, it is a perfect choice to preserve a slice of American life.

Are you with me yet?

If not, here are 30 reasons (in honor of its 30th birthday) why it makes sense.

1. Approximately 2,345 discount department stores nationwide.
2. Plus, Kmart's five specialty divisions (Pace, Walden Book Co., Sports Authority, Builders Square and Pay Less Drug Stores) which operate a combined total of almost 2,000 additional stores. That's over 4,000 retail stores nationwide.
3. Overall marketing strategy and strength.
4. Promotional mindset and focus on lifestyle for the 1990s.
5. A well-organized communications network.
6. A high-profile public relations arm.
7. The financial capability.
8. A tremendous customer base. Over half the population visit Kmart stores each month.
9. The recent national holiday sweepstakes promotion with the Walt Disney Co.
10. The current national promotion with CBS.
11. A variety of other past joint promotions exemplify Kmart's national presence and exposure.
12. The chain's big "K" logo matches the color of Santa's outfit. (Maybe even Claus could be spelled with a "K.")
13. Joe Antonini would make a great grand marshall.
14. Jaclyn Smith would be a dynamic spokesperson.
15. And so would Martha Stewart.
16. And so would all the other celebrity spokespersons.
17. Significant involvement in the local communities.
18. A diverse corporate community service program.
19. America's favorite store.
20. Donald Trump and Ivana Trump are customers and could lend a little New York flavor.
21. The chain is rich in American tradition.
22. Its Christmas In America campaign.
23. Wal-Mart wouldn't do it.
24. Sears can't afford to do it.
25. There's no other national retailer that could pull it off.
26. Innumerable potential promotional tie-ins with the chain's diverse supplier base.
27. A Christmas teddy bear for $9.97, not $14.99.
28. And even a collector's plate.
29. A much improved, more positive image among customers than even five or 10 years ago.
30. Finally, let's give Kmart credit for avoiding many of the problems that have plagued Macy's. Kmart is involved in one of the most significant turnarounds in the history of retailing. While the numbers have yet to indicate a significant improvement, the internal and external changes have been dramatic.



TONY LISANTI
Editor

Well, if you're still not convinced that Kmart should be the heir to Macy's Thanksgiving Day Parade (just in case one is needed), who might you suggest?

Maybe Walt Disney? How about it, Mr. Eisner? You sure know how to lead a parade.

One thing is certain, the tradition must be preserved. The parade must go on!

And by the way, Happy 30th Birthday, Kmart!

BUYERS & SELLERS

Bush Economic Measures Seek to Buy Time

"Is it sound and will it work?"

That's the criteria President Bush set forth for judging the economic measures he announced in his State of the Union address last month.

"The president's plan is sound, reasonable and absolutely workable," according to Robert Verdisco, president of the International Mass Retail Association. Verdisco, who attended a special White House briefing prior to the president's speech Jan. 28, strongly endorsed Bush's plan for improving the nation's economy.

Verdisco's counterpart at the National Association of Wholesaler-Distributors, Dirk Van Dongen, applauded Bush for seizing the legislative agenda. "While we do not necessarily agree with every aspect of every proposal, the country needs a solid plan to get us out of the economic doldrums and cure the discontent prevalent in the land. The president has given us the blueprint and provided the leadership to do just that."

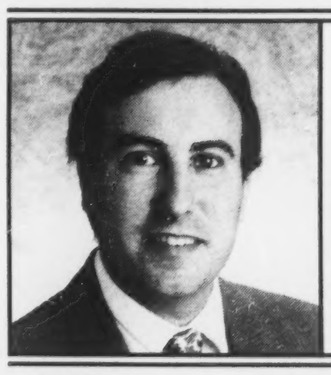
Reaction from other quarters of retailing, however, was less enthusiastic. Few retailers are doing cartwheels over the proposals, which, if passed by Congress, would cut spending on unneeded military weapons programs, provide some longer term tax incentives to spur investment and include a hodgepodge of tax relief measures that essentially put a couple of dollars in consumers' pockets right away in hopes that they'll spend it.

"There's not anything negative in his proposals," commented Marc Balmuth, president of Caldor, a chain that is particularly exposed to the ravages of a steep recession in its Northeast markets. "It remains to be seen how much it'll help."

That Bush has essentially "stayed the course"—i.e., resisted the urge to increase federal spending to bolster the economy—throughout the recession is both a positive and a negative for retailers.

By allowing the nation to slip into a long and deep recession, he has caused enormous pain and anguish. On the day of his speech, Macy's was filing for court protection from its creditors because anemic consumer spending left the retailer with too few funds to pay its huge debt load. The slow economy will not help Ames, Best Products and Hills, all discounters currently operating under Chapter 11, get their reorganization plans approved by the bankruptcy courts.

However, given the size of the federal budget deficit, the fact remains that there is little more Bush could do without busting the budget and leaving an even bigger mess for the next president to clean up. Before Bush's speech, most economists were predicting the economy would remain weak through the first half of 1992. Speaking to analysts at Dean Witter, Kmart chairman Joe Antonini correctly pointed out that "Band-Aid" attempts to fix the economy, like capping credit card rates, won't help. "With interest rates already low," said Antonini, "I think it becomes a fiscal management situation for the government."



DON LONGO
Exec Editor

The economy will probably begin to rebound in the third quarter, and certainly before the 1992 Christmas season.

Of course, Bush faces a battle to get his proposals through the Democrat-controlled Congress, which will do everything it can to make the Republican president look bad in an election year. And, even if approved by Congress, most of his anti-recession measures would not provide any meaningful spendable dollars until later this year, when the economy could already be rebounding. "He's just trying to buy time," said another retailer. "Politically, he's got to appease the electorate until the recession ends."

Hopefully, by the time November rolls around, the recession will have changed from a living nightmare to a sour memory.

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Cable Address: LEBHAFRIED
Fax # for News Releases: 212-756-5125

Publisher JOHN FAILLA

Editor TONY LISANTI

Executive Editor Donald Longo
Special Projects Editor Pete Hisey
Senior Editor Arthur Markowitz
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Senior Editor Mary Ellen Kelly
Associate Editor Richard C. Halverson
Associate Editor/Apparel Jill Lettich
Senior Desk Editor Dawn Wilensky
Desk Editor Marie Corrado
Desk Editor Elizabeth Phillip
Art Director Milt Berwin
Graphic Artist Maryellen Seery

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent Kenneth Rankin

VP, Group Publisher FRED J. FILER

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Desk Editor Elizabeth Phillip
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SALES/MARKETING

New York
National Sales Manager KEVIN KENNEDY
Area Manager Allison Berlin
Classified Ad Manager Carole Harnoff
Classified Production Manager Larry Brush

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager James Malver
Office Manager Angela Ftaras

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
Area Manager Dave Tuttle
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Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
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Area Manager Cheryl Kilberg Solomon
Office Manager Beverly Wendtland

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Area Manager Jeffrey Larssan
Office Manager Maureen Jackson

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

Business Manager Roch Minieri
Director of Manufacturing Stan Kaufman
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Best Reorg Plan Deadline Extended to June

(Continued from page 5)
in 12-page flyer, expiring Feb. 14, geared to Valentine's Day, with nine pages of diamonds, jewelry and watches and three pages of hard goods items.

Best requested the extension for submission of the reorganization plan, a step supported by its creditors committee, because of the recession and the need to get a better fix on the economy so that it can develop sales projections for 1992.

Best's examiner would 'investigate and evaluate' the existence of 'any viable, sustainable claims' that may enhance recoveries to creditors.

The sales and cost forecasts it has made during 1991 have been in line with actual results for the 11 months through Jan. 4, but earnings, due to the recession, are further from the mark.

Best reported that volume for the 11 months was $1.379 billion, off 5.9% from a forecast of $1.466 billion, while expenses at $310 million were in line with the projected $320 million. But gross margins of $332.6 million were off 10.6% from the forecast $372.1 million and actual EBDIT (earnings before depreciation, interest and taxes) of $22.29 million was less than half of the projected $51.96 million.

The financial statement, which is submitted monthly to creditors, is a guide to compare Best's general results for the company's forecast. The statement doesn't include sales and expenses from the shuttered showrooms and the forecast was revised in July 1991 when the cataloger began closing stores.

Best last year used only about $30 million of its $250 million line of credit and was negotiating to extend this DIP (debtor-in-possession) facility into 1993, the cataloger told vendors in its monthly update.

It also said Minneapolis and Charleston were "its remaining unprofitable markets." It's negotiating with companies to liquidate the seven showrooms starting this month. Schottenstein Stores Corp. liquidated the 35 previous closings.

In a separate letter to vendors, Stewart M. Kasen, Best's president and chief executive officer, said that it, and some of its financial lenders asked that the examiner be appointed "to terminate tension" between the lenders and some trade creditors over "who would investigate the facts and circumstances concerning" the 1988 LBO.

Best explained that the examiner would "investigate and evaluate" the existence of "any viable, sustainable claims . . . that would be worthy of pursuit in terms of the expenses involved and the potential enhancement in the recoveries to creditors."

Court papers listed nine financial institutions, led by Manufacturers Hanover Trust Co., along with the Resolution Trust Corp., as a receiver for three other lenders, as the prime movers for the appointment of an examiner. These financial institutions were the key lenders that funded the LBO.

These institutions' request followed a preliminary study of the LBO conducted for the creditors committee, which then formed an LBO subcommittee to carry out a formal examination and then determine and take "whatever steps it deems appropriate to benefit all unsecured creditors."

The trade creditors and financial institutions that weren't the prime lenders formed the group pushing for the LBO subcommittee investigation.

In a swipe at the trade creditors and their financial allies, the nine lending institutions noted in the court motion that "it is obvious that it would be folly to consign the determination of the viability of claims, if any, arising out of the Best LBO to entities that view themselves as the principal beneficiaries of the successful prosecution of such claims."

Best, in its letter to vendors, noted that appointment of examiners in other retailer bankruptcies didn't affect the companies. Best's examiner "will not have any impact on our continuing business and our relationship with our vendors," the cataloger said.

Most Discounters Report Sales Gains for 1991

(Continued from page 3)
even better, with a 16% rise to $930 million, with a comparable sales increase of 2%.

Another hot off-price apparel chain is 50-Off Stores. The San Antonio, Texas-based chain reported a 66.4% sales gain in 1991, to $128.6 million. Comp store sales were up 20%.

TJX Cos., operators of the T.J. Maxx and Hit or Miss chains, achieved a 13% sales increase in 1991, to $2.76 billion. Filene's Basement president Jim Anathan was particularly gratified by his chain's performance in "the extremely difficult economy of the Northeast." Sales for 1991 were up 16% at the chain's 37 off-price units, to a total of $465.3 million. Comp store sales were off less than 1%, primarily due to the depressed New England region.

Clothestime, the 401-store, Anaheim, Calif.-based off-price apparel chain, saw its 1991 sales grow by 24% to $259 million. Comp store sales were up 14%.

At Service Merchandise, sales dipped 1% to $3.39 billion, and declined 4.8% on a same store basis, but profitability was up slightly to $76 million.

Office Depot became the first office superstore chain to reach the $1 billion sales mark in 1991. The Delray Beach, Fla., superstore chain reported 1991 sales topped $1.3 billion, a 44% increase over 1990. Office Depot ended 1991 with 228 stores in 29 states, up 57 stores from 1990. In 1992, the chain expects to open between 50 and 60 new stores.

Dayton Hudson Corp. reported consolidated sales at its Target, Mervyn's and department store divisions were up 9.4% to $15.86 billion. Comp-store sales for the year were up 2.2%. Target was expected to report 1991 sales of $9.1 billion, up nearly 11% from 1990.

Woolworth Corp., which operates variety and specialty stores, reported that domestic sales rose 3.6% to $5.7 billion in 1991, however, foreign sales declined 1.6% in U.S. dollars.

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Wal-Mart to Expand VideOcart Test

BENTONVILLE, Ark. — Wal-Mart plans to expand its test of the VideOcart electronic shopping cart technology, now underway in the Rogers, Ark., store, and to place the carts in five more units.

The discounter plans to add 100 carts to the 75 currently being used in the Rogers store (see *DSN*, March 18, 1991, page 3) and use about 1,000 carts in the five undisclosed Wal-Marts.

Wal-Mart has used the carts to track shopper traffic through the store, monitoring such patterns as which departments are visited first, visited most and the time of such visits.

Wal-Mart will now expand its test to correlate traffic information with sales data so that buyers, for example, can gauge the effectiveness of merchandising displays by measuring how often shoppers pass a display and decide to buy the merchandise.

Different Retail Technology

Kmart is using different retail technology to obtain similar information. It has deployed the ShopperTrak system in its Westwood, N.J., store, and plans to install the technology in five other stores (see DSN, Feb. 3, page 2.) Kmart selected ShopperTrak over VideOcart.

Bobby L. Martin, Wal-Mart's senior vice president, corporate information systems, said, "these extensions go beyond the current state-of-the-art. We'll be able to gauge our customers' reaction to promotional features and respond faster than ever before to their preferences."

VideOcart has made a strategic alliance with IBM to increase cart production to meet the need for more carts for Wal-Mart and a number of supermarkets testing the technology.

The deal includes IBM assisting VideOcart engineers in improving the design of the cart, manufacturing an initial 120,000 display units for the carts and developing software interfaces to its 4680 POS terminals for such VideOcart applications as electronic coupons.

VideOcart will use the IBM PS/2 as the in-store computer gate and the IBM Information Network to transmit data and messages to and from the stores.

VideOcart has slowed down production of current models and expects to deliver carts to about 300 stores by mid-September or October, at which time IBM is due to begin supplying new units now in the design stage.

The company expects to have about 7,000 carts in about 500 stores by the end of the year.

Bi-Mart, Sportings Goods Chains for Sale

(Continued from page 3)
Pacific Enterprises hopes to raise $1.1 billion through the divestitures and pay down debt with the money. The sales would leave Pacific with its Southern California Gas Co., the largest natural gas utility in the United States.

All of Pacific's retail chains operate under the umbrella of Thrifty Corp., which Pacific acquired in August, 1986, in its first diversification into retailing. Pacific refuses to break out sales and earnings for each retail chain, but Thrifty Corp. sustained an operating loss of $166 million in 1991 on top of a $66 million loss in 1990, Pacific reported. Sales had risen to $3.3 billion from $3.2 billion, including a same store sales gain of 2.3%.

It predicted that Thrifty Corp. would continue to lose money until the fourth quarter of 1992.

In anticipation of losses on selling the five retail chains, Thrifty charged off $110 million during the fourth quarter of 1991. To conserve cash, Pacific suspended its dividend running at an annual rate of $1.76.

Pacific encountered "some expressions of interest" in acquiring its retail chains, a Pacific spokesman said, but he refused to say either what parties or chains were involved. "The deal is so recent that no formal negotiations are underway," he said. No management-led leveraged buyouts of any of the five chains are under consideration, he added.

Results were "improving" for the five chains Pacific wants to sell, the company claimed in a release, but they weren't enough to overcome losses at Thrifty Drug.

With 266 sporting goods units, Thrifty operates the largest group of stores in the country. It nudges out Herman's, which trimmed store count to 260 from 266 last year.

Pacific acquired its first of five sporting goods chains, Big 5 in California, when it acquired its parent, Thrifty Corp. in 1986. Since then it acquired four more chains: MC (formerly Michigan) Sporting Goods operating in the Midwest; Gart Bros., also in the Midwest and Colorado; Casey's, in the Midwest; and Magees, Chicago. MC Sporting Goods owns Casey's and Magees.

Sporting goods sales for Thrifty totaled $600 million in 1990, *DSN* estimates, trailing closely an estimated $630 million for Herman's.

Only the 130 or so Big 5 stores were doing well, industry sources said last July, while the MC and Gart Bros. divisions were struggling.

Germany's Retailing Business Still Prosperous

(Continued from page 5)
were otherwise indistinguishable from a towel that would sell in Wal-Mart for $3.99 everyday, $2.99 on promotion.

A 13-inch television sold for 399 marks, nearly $300, and compact discs were priced at 29 to 36 marks, about $20 to $25. Pre-owned and patched Levi jeans were priced at 169 marks, about $110, and no-name denims cost about $60. Tops sold in the $45-$65 range, and toys were almost out of reach. A 12-inch stuffed animal, for instance, was of fine quality, but at 199 marks (about $140) would die on a U.S. shelf.

The service level in most German general merchandise stores is far below their U.S. counterparts. While C&A, a fashion department store, was staffed at roughly U.S. levels, mass merchants often had just a cashier or two. Aldi, possibly the most down-and-dirty discount food outlet in the world, had one cashier and two stockers. Idea, a drug and novelty combo, similarly had only a cashier and stock help.

There were a few innovations. First, most cashiers work from a sitting position, which undoubtedly saves wear and tear on store-level help. Virtually all stores were on self-bagging systems, and the customer was expected to supply the bag himself, or pay about 7 cents for each one used. Germans typically carry cloth shopping bags on their rounds.

Aktion, Germany's answer to Kmart, *is a strange amalgam of upscale apparel, cosmetics and fragrances, contrasted with dump tables and deep discounts. Nevertheless, price points (small bath towels, reduced to $17) are much higher than those at Aktion's American counterparts.* (DSN photo)

At Radio Diehl, roughly equivalent to U.S. CE retailer Silo, but with audio software, the problem of the CD longbox was being addressed at the checkout. Customers were expected to remove their CDs from the longbox, which then went into a recycling bin. CDs shipped without longboxes, like the latest Peter Gabriel title, were repackaged in recycled ones.

Germans have more fun shopping than most Americans, and they tend to shop as a family. The Neu Isenburg mall contained coffee shops, bistros, beer gardens, full-service bars, arcades, a children's play area, kiosks selling wines, ciders and liqueurs from microwineries, a woodworking shop, tour sales offices, and many other service businesses, all doing great business.

Similarly, a German grocery store offers a great deal more than its American counterpart. In contrast to general merchandise, food was generally moderate in price, and seemed to be high in quality. Precooked and deli type food is a staple here, and every market had wide selections of wine, literally three or four aisles full, at extremely low prices, starting at less than $2 and rising to about $20. Beer, too, was inexpensive, and an average of 10 or so brands were available by the single bottle, the six-pack and the 20-bottle case, as well as in mini-kegs. General merchandise accounted for about 30% of sales footage, with products ranging from toys to housewares to home office goods.

In fixturing, stores (except for grocery stores) were generally far behind their American cousins. Dump tables were omnipresent (Aldi has practically nothing but), and the capacity of shelving seemed to be far less than in U.S. stores. Displays, too, were less than thrilling, except at C&A, the upmarket department store.

But, the concept of massing out merchandise was widespread. A German bicycle shop was nearly invisible underneath a veritable blizzard of assembled bicycles; in grocery stores, the week's specials were piled eight feet high.

Another difference in the German scene was the location of the mall, on the equivalent of a British High Street. Outside, smaller specialty shops competed successfully with the mall locations. For instance, a small audio specialist featured high-end audio equipment, satellite systems, and on-site repairs, to differentiate itself from Radio Diehl. A tiny video rental shop seemed to specialize in foreign, "art" and adult titles, and restaurants were very distinctive compared to the deli/wurst types in the mall; with Italian, Hungarian, and Chinese featured.

Brendle's, Foland's Move to Restructure

(Continued from page 5)
erative, has held tentative discussions with the industry's two other coordinators, Associated Charter and Paul Schultz Catalogs, on a possible merger with either one.

Brendle's plans to issue its own catalog and to continue its flyers program.

The Brendle's restructuring is being developed with input from The GDL Group, a New York-based management consulting firm, two of whose executives are part of the new chief executive office. That post is now composed of Brendle's chairman Douglas D. Brendle, Geoffrey D. Lurie, GDL Group president, and Walter A. Jones, GDL Group executive vice president.

Brendle's was forced to hire outside consultants by the three banks that provided a $20 million term loan and a $49 million revolving credit facility in October 1991. GDL Group, which is a turnaround specialist, is not investing in Brendle's.

The Brendle's that are being closed are in Chattanooga, Tenn. (2), Savannah, Ga., and Columbia, North Charleston and Greenville, S.C. The layoffs include 250 people from the showrooms and 65 from headquarters and the huge 388,000-sq.-ft. distribution center.

Two executives have left the cataloger: president Dennis B. Johnson, who joined the company in 1990 when it first began having problems, and Jeff Mick, vp and chief financial officer, who engineered Brendle's becoming a public firm in 1986.

Douglas Brendle cited the chain's too-rapid expansion—15 stores were opened in 1990—compounded by the closing or scaling back of military bases in the Southeast as the reasons for Brendle's problems. The cataloger lost $14.2 million on $169.4 million in sales for the nine months ended Nov. 2, 1991. In the previous year's same period it lost $7.2 million on $169.6 million in sales.

Foland's, a member of the Associated Charter Catalogs group, will drop its catalog as part of its restructuring. The privately-held cataloger will focus on its its strongest business, bridal registry, and such categories as fine jewelry, gifts and tabletop.

Should Foland's leave Associated Charter, the group will have 11 members.

Foland's cited the downturn in the Detroit economy and cutbacks in the auto industry as the reasons for its problems.

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Vol. 31, No. 4 February 17, 1992

Handicapping Directions For New Specialty Growth

(Continued from page 5)
consumer electronics will probably snap back with a vengeance in the coming years. Competition has been pared to a manageable level, and most retailers project rising margins on new products due to that lessened competition. The market for computers alone in the 1990s is projected at over 150 million units at roughly $1,000 apiece, and new technologies are arising daily. And the cost of acquiring a viable chain is probably at an all-time low.

Designer Depot may have soured Kmart on the off-price apparel market, but with virtually every full-price outlet apart from The Gap and The Limited floundering, the future for this category is almost unlimited. If Kmart could find a successful, reasonably priced chain, it's unlikely they'd say no, particularly in light of Target's entry into the category.

Other possibilities? Some sort of health-oriented superstore operation sounds possible later in the decade. Baby boomers are getting older (and fighting old age every step of the way), and the present system of medical product distribution is an exact doppelganger of the office supplies business of the early 1980s: dingy little mom and pop stores that charge full list price in return for having what you need in stock. This is an industry just begging for a superstore operation to come along and clean up.

Or how about a Kmart travel club? Deregulation, which at first slashed travel costs, has given way to a tightly-knit industry that can make more money selling to business travelers than the public. Package tour operators are notoriously unreliable, and charter flights are always a hit-or-miss proposition. A travel club that offers reputable, reliable service at everyday discounts could have mass appeal, particularly to a baby boomer generation less concerned with conspicuous consumption and more concerned with personal enrichment for themselves and their children. Travel, along with health care, could be the growth industry of the late '90s.

food merchandising

FOR NON-FOOD RETAILERS

A special supplement to *Discount Store News* and *Drug Store News*

Winter 1992

Walgreens Showcase: Convenience Foods Front & Center

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Membership Clubs Score Big Grocery Sales Gains

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Grocery Census

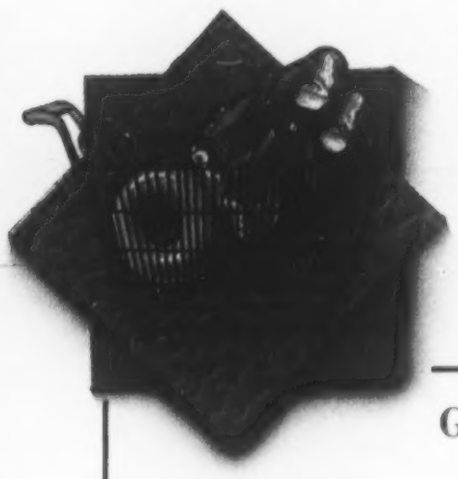
Sales Up at Warehouses, Drug & Discount Stores

Grocery sales in non-food retailers keep expanding at a healthy pace, especially in membership wholesale clubs.

That's according to U.S. Census Department data analyzed by Malcolm Knapp & Associates, a market research firm located in New York.

Based on dollar figures tabulated for 1990 vs. 1991, drug, discount and wholesale clubs each produced impressive sales gains.

Grocery sales in general merchandise units totaled $12.5 billion, up 3.2% over the $12.2 billion registered in 1990. Drug store volume was up 11.7% to just over $7 billion.



Grocery Sales Trends in Membership Warehouse/ Wholesale Clubs (Retail Sales in Millions of Dollars)

Category Segment	1987	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$4,203	$ 8,499	$10,308	$11,608
Packaged Alcohol	490	893	1,071	1,191
Paper Goods	44	939	1,103	1,283
Soaps/Household Cleaners	449	962	1,138	1,222
Pet Foods	239	607	616	611
Total	$5,825	$11,900	$14,236	$15,915

Source: Malcolm M. Knapp, Inc., New York

Grocery Sales Trends in General Merchandise Stores
(Retail Sales in Millions of Dollars)

Category Segment	1987*	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$ 7,778	$ 9,473	$ 9,780	$10,107
Packaged Alcohol	668	796	820	856
Paper Goods	756	911	945	979
Soaps/Household Cleaners	740	890	917	954
Pet Foods	82	106	113	114
Total	$10,024	$12,176	$12,575	$13,010

Source: Malcolm M. Knapp, Inc., New York

*All 1987 figures are revised estimates based on 1987 Census of Retail Trade, Merchandise Line Sales

Chain drug store growth has been plumped up by additional food offerings. Super D in Nashville has added more prepared foods, while Thrifty in Los Angeles has made food one of the focal areas in its new prototype.

Membership clubs had the most stunning growth, with sales jumping 12% to $14.2 billion. And, according to Knapp, the numbers even hide some wholesale volume which is grouped into the general merchandise category. Some 1992 wholesale club sales estimates are ringing in at close to $16 billion.

Alcohol, packaged groceries and household cleaners have shown dynamic increases at membership clubs, and BJ's and Price Club have enlarged liquor selections. A new BJ's in Edison, N.J., will have a separate liquor store on its perimeter.

Alcohol, paper goods and household cleaners have shown double-digit growth in drug stores. Liquor has helped ring up incremental sales there, and accounts for 12% of Walgreens' sales.

Wholesale clubs and drug stores have the most growth potential. Discount stores had a growth burst in the late 1980s—a reason for smaller sales gains of 3% to 4% for general merchandisers. Pet food is the one exception, with sales jumping 6.6% to $113 million.

More growth is predicted. "As shoppers continue to seek convenience and retailers improve their selections, the sales trend will be up," concluded Knapp. **FM**

Grocery Sales Trends in Drug Stores
(Retail Sales in Millions of Dollars)

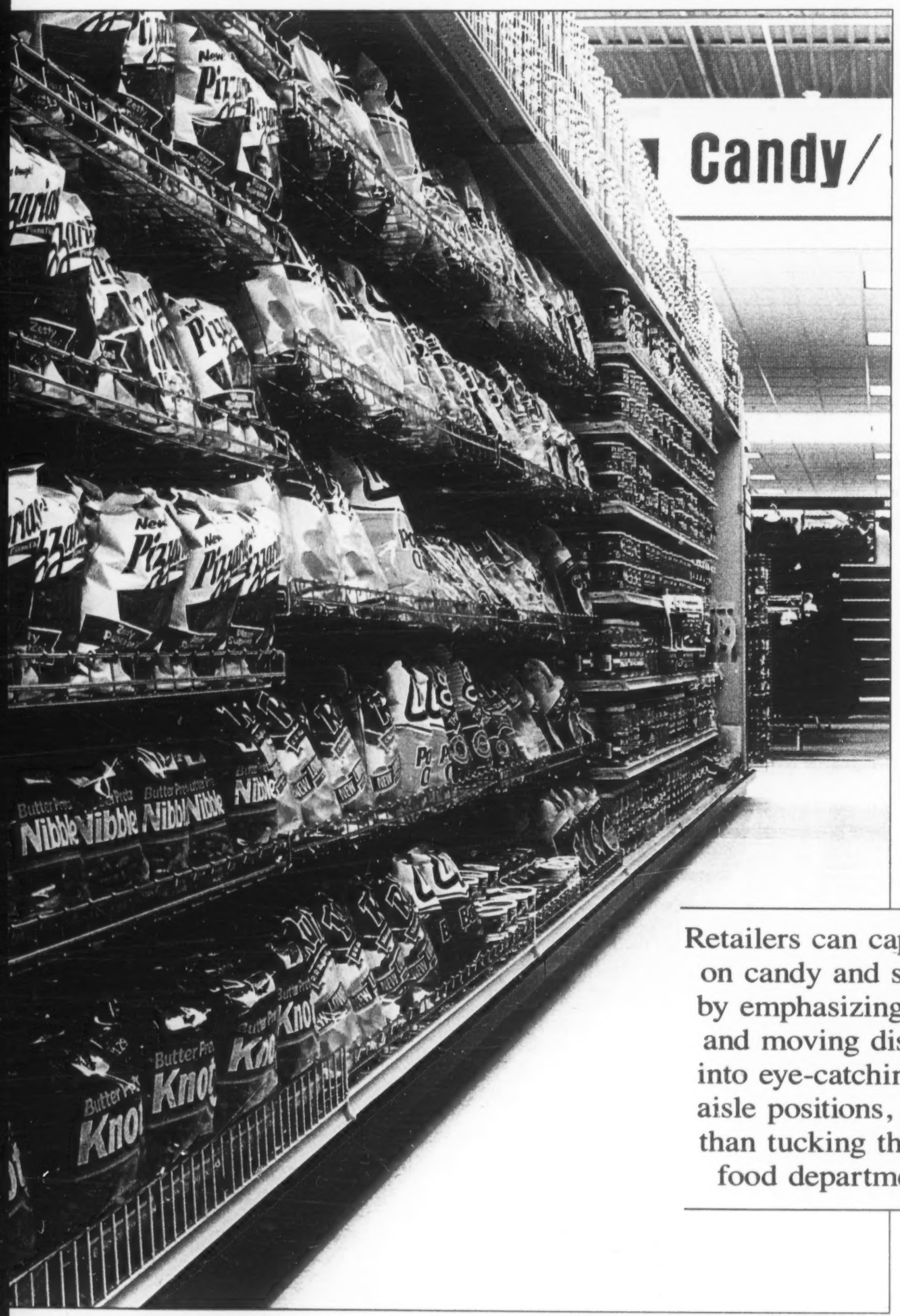
Category Segment	1987*	1990	1991	1992 (est.)
Packaged Groceries (Excluding snacks)	$1,976	$2,571	$2,841	$3,089
Packaged Alcohol	1,697	2,194	2,462	2,664
Paper Goods	403	554	2,462	2,664
Soaps/Household Cleaners	491	729	830	874
Pet Foods	173	275	303	316
Total	$4,740	$6,323	$7,065	$7,617

Source: Malcolm M. Knapp, Inc., New York

*All 1987 figures are revised estimates based on 1987 Census of Retail Trade, Merchandise Line Sales

Sweet Success

Temptation Still Wins Out With Candy & Snacks



Venture, Des Moines, Iowa: Snack displays like this helped discounters lure consumers.

Retailers are wondering whether the recession has been good or bad for candy and snack sales.

Conventional wisdom suggests that consumers will reduce candy and snacks consumption as a way to save their pennies. However, these treats may also be among the few simple pleasures people can still afford in tough times.

According to exclusive research conducted by Leo J. Shapiro and Associates for *Food Merchandising*, consumers—especially discount store shoppers—find it difficult to completely pass up tempting displays of candies and snacks.

From the research, a picture emerges of a customer who plans to buy less when he goes into a store, but doesn't always do as planned.

In the survey, consumers said they buy less of certain items.

In snacks (popcorn, chips, dips, crackers, cookies, pudding and jello) specifically, the percentage of consumers who report purchasing less of a product today, compared to a year ago, ranges from 32% for crackers to 48% for dips. With candy items (bagged candy, multipacks, seasonal candy, boxed chocolates and single candy bars), the percentages of consumers reporting fewer purchases ranged from 32% for seasonal candy to 55% for candy in bags.

Retailers can capitalize on candy and snacks by emphasizing price and moving displays into eye-catching end aisle positions, rather than tucking them in food departments.

The study makes clear that snacks and candy are products which people are trying to cut down on buying. But many consumers are finding it is easier to say they'll spend less on these food items than are actually putting that resolution into practice. In fact, Shapiro found about 50% of households are buying more of at least one snack product this year and a third more of at least one candy product. Although more consumers today say they are buying less,

quite a few have found at least one they are buying more than before, according to Shapiro's study of 455 households.

This is especially true of the discount store shopper. Of those queried, 29% have purchased snacks at discount department stores (including warehouse clubs and outlet stores) and 26% have purchased candy at those retailers, making it the favorite shopping location outside of the food store for these products.

Within this retail sector, 18% report buying snacks at discount stores, while 12% favored warehouse clubs; 21% said they purchase candy at discount stores, and 7% said warehouse clubs were their preferred retail outlet.

In contrast, 6% report buying candy at drug stores, with 15% purchasing sweets in drug outlets.

Clearly, the discount store customer indulges more often than the general population. Nearly two-thirds said they are buying more of at least one snack item this year; 43% of discount candy shoppers are buying at least one more candy item. Both percentages outstrip the buying habits of the general population.

Some basic economic factors are at work in accounting for the higher purchasing at discount units. When prices of snacks and candies are lower, as they generally are in discount outlets, shoppers' resistance to such impulse purchases may give way. This may explain why discount store snack and candy shoppers, more than others, are upping their snack and candy purchases, said Sara Parikh, a researcher for Shapiro.

Also, demographics play a major role in proportionately higher intent to buy snacks and candy at discounters. Consumers who buy snacks and candy at discount stores generally have larger households with young children. "It's a situation that encourages these consumers to buy more," Parikh added.

Based on the research, retailers can capitalize on candy and snacks by emphasizing price and by moving displays into eye-catching end aisle positions, rather than tucking these items away within food departments.

That's because the candy department won't be a destination for today's discerning, penny-saving customer. But endcap and other off-shelf displays will appeal to shoppers looking for a "feel good" purchase.

Not surprisingly, the items customers like to buy in convenient locations such as drug and discount stores are the basics—chips, popcorn and cookies in snacks, and bar candy in the candy category.

When asked which candy products they were likely to buy at a store other than a food shop, 43% said single candy bars, supporting the appeal of candy as an impulse buy, while candy in bags was mentioned next, 24.7% of the time.

Chips were mentioned first, 37.6%, as a snack most likely to be purchased at an outlet other than a food store, while popcorn came in second, with 34.4% of the mentions. **FM**

"Where Besides Food Stores Do You Buy Candy"	
Discount Department Stores	**20.6%**
Wal-Mart	10.5%
Kmart	7.8
Target	2.1
Warehouse Clubs	**6.9%**
Sam's	3.6
Costco	1.2
Price Club	1.2
Drug Stores	**15.0%**
Walgreens	1.8
Phar-Mor	1.3
Osco	1.5
Source: Leo J. Shapiro & Associates for Food Merchandising	

Zellers, Montreal: Shoppers have a harder time resisting the urge to buy candy when confronted with low discount store prices.

"Where Besides Food Stores Do You Buy Snacks"	
Discount Department Stores	**17.7%**
Wal-Mart	10.0%
Kmart	5.9
Target	2.0
Warehouse Clubs	**11.5%**
Sam's	5.2
Costco	2.7
Price Club	2.1
Drug Stores	**6.4%**
Walgreens	1.8
Phar-Mor	1.3
Source: Leo J. Shapiro & Associates for Food Merchandising	

May's Dual Strategy Drives Candy Sales

May's use of two distinctly different candy programs—and food in general—in its 21 drug stores and 12 deep discount stores is a good example of how a regional chain can be a tough competitor for larger drug and discount chains in the same markets.

The Tulsa, Okla.-based company uses different assortments and pricing strategies that complement each operation and create efficiencies that otherwise would not be possible.

For the conventional drug stores, candy buyer Gregg Heller chooses an assortment that offers customers lots of choice, without letting skus proliferate to the point that they are difficult to maintain. About eight feet of space is allocated for the in-line program. Peggable bagged candy is a 4-foot set, and features a Sathers and Brock mix at the two-for-$1 price point. The boxed assortments include Russell Stover, and Andy's does well in smaller sizes, with 2-lb. boxes usually reserved for the major holidays.

The assortment also includes a Planters program, with cans, jars, pegged bags and five-for-$1 peanut crackers.

Seasonal programs in novelty candies rely on cooperation between drug store managers and the buyer. Heller said seasonal buying is based on stores' sales reports for the previous year, which he uses to determine quantities. Then he relies on stores to customize their programs.

"We have set aisles for seasonal merchandise," reported Heller, "and it doesn't affect the in-line program. Seasonal candy usually ends up with half of an entire aisle, even if it's an aisle or two away from the regular in-line program. Some stores will go to a complete aisle for seasonal candy, but they will also include other holiday items like gift wrap in that space."

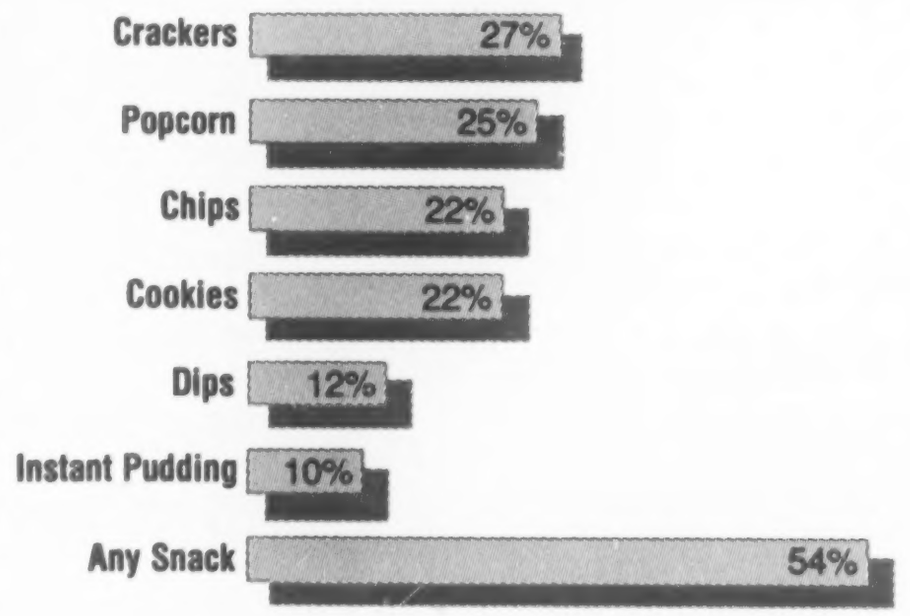
Stores also use endcaps for seasonal candy, but Heller and the chain's district managers monitor them closely so merchandise doesn't sell down so quickly the endcap looks bare.

At checkstands, he limits his assortment to gum and mints on wire racks. Heller used to buy multi-packs of individual candy bars with the intention of having the packs broken up at store level, but he learned from experience that it didn't get done, so he is now staying away from multi-pack purchases. He also limits use of drop displays.

May's candy program differs from other chains in that it doesn't emphasize impulse purchases. "Most chains have candy upfront as an impulse purchase, but we don't," said Heller. "We have an established customer who knows where the store's candy section is."

Summary of Snack Purchasing Behavior

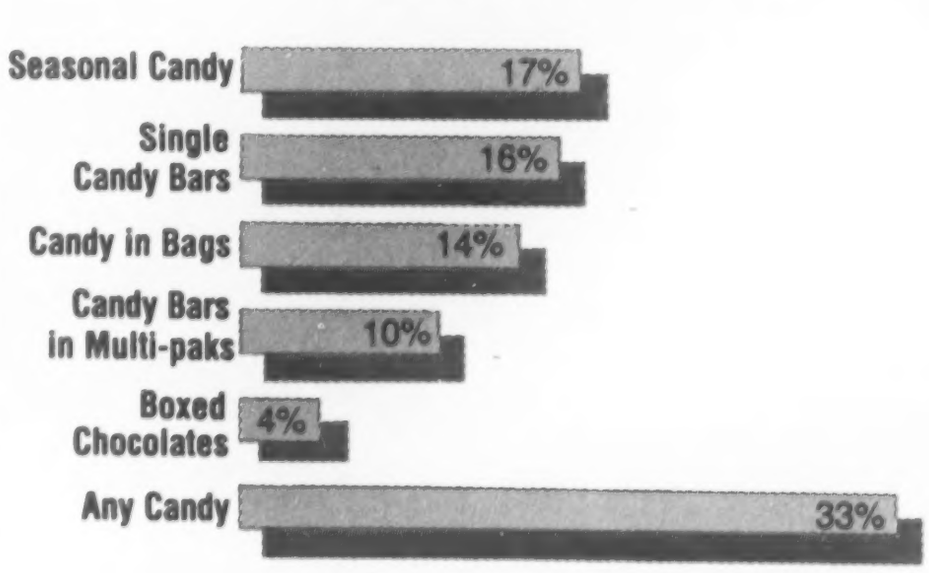
"Compared to a year ago, would you say your household is buying more packaged . . ."



Source: Leo J. Shapiro & Associates for Food Merchandising

Summary of Candy Purchasing Behavior

"Compared to a year ago, would you say your household is buying more . . ."



Source: Leo J. Shapiro & Associates for Food Merchandising

May's Drug

Heller tracks new introductions of the so-called "healthy candy" that's geared to adult tastes, but he said the advertising support behind these new products plays a major part in his decision on whether to add it to his program.

In May's Southwest markets, the chain is in direct competition with Wal-Mart, Medic Drug Stores, and Osco Drug Stores. Nevertheless, Heller said May's can be successful without constantly reacting to competitors' moves.

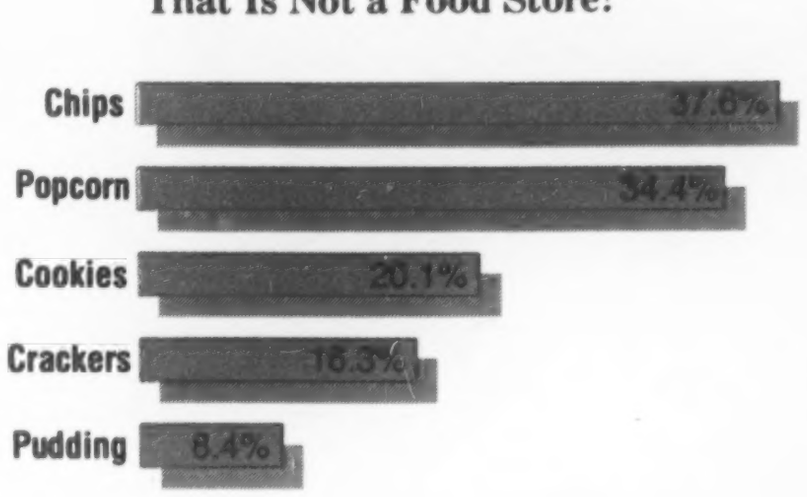
"You need to be concerned about the competition and watch what they are doing, but as far as someone coming in and making us change, well, we have Wal-Mart at our back door and we are doing fine," he said.

The deep discount side of May's business emphasizes everyday low prices as well as a broad product assortment that offers one-stop shopping convenience to its customers.

Most food products are limited to the deep discount stores—snack items, crackers, microwave dinners, cereals and pancake mixes.

"I am as deep as I can get, but I have to beat grocery stores on price," said Heller. **—Michael Hartnett**

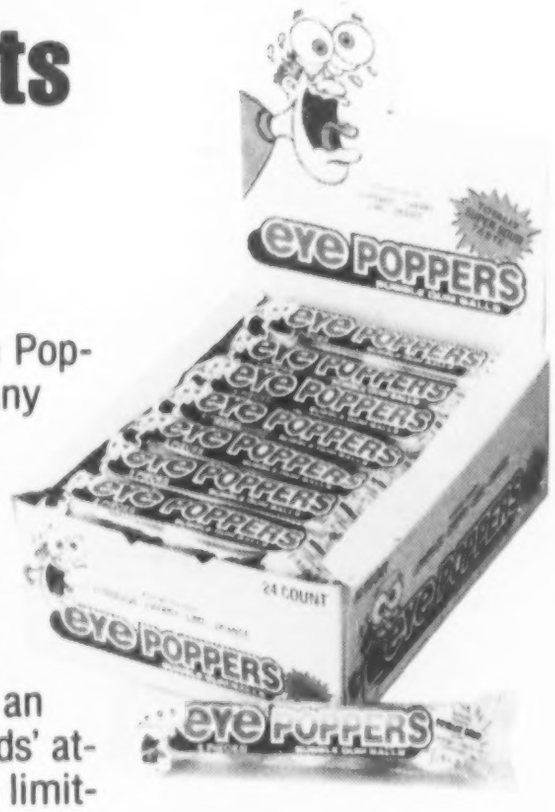
"Which Snack Products Are You Likely to Buy at a Store That Is Not a Food Store?"



Source: Leo J. Shapiro & Associates for Food Merchandising

New Products

Gum With Eye Popping Good Taste



Leaf has unveiled its newest gum, Eye Poppers, in the sour flavors that so many children love to chew.

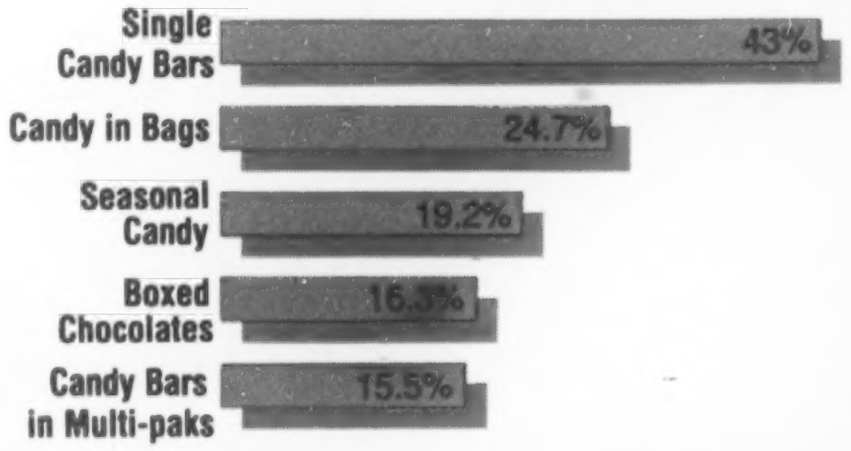
Featured flavors include the sourest lemonade, the tartest cherry, and the most eye popping orange or lime.

Sold in a multi-flavor 5-piece tube, Eye Poppers bubble gum balls are packed 12/24. The counter box features an eye popping cartoon character to grab kids' attention. The gum is currently available in limited markets.

Sathers Acquires Powell's

Sathers, the candy, nut and natural snack maker, finalized its acquisition of Powell's Inc., a general line candy manufacturer. Sathers' ceo Howard Kosel said Powell's will still provide the same quality products to customers it has served since 1929. Sathers, of Round Lake, Minn., hopes this year to repeat the success of its Gummi line with the launch of a Sours gum and candy line.

"Which Candy Products Are You Likely to Buy at a Store That Is Not a Food Store?"



Source: Leo J. Shapiro & Associates for Food Merchandising

Discount Store Shoppers Are Sweet on Candy & Snacks

Percent of consumers buying any snack more today than a year ago

54% Among all consumers

62% Among those who buy snacks at discount stores

Percent of consumers buying any candy more today than a year ago

33% Among all consumers

43% Among those who buy snacks at discount stores

Source: Leo J. Shapiro & Associates for Food Merchandising

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CONGRESSIONAL INFOR SVC INC **
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

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Ames Talks Reaching Critical Stage

By Pete Hisey

ROCKY HILL, Conn. — Ames may sink in a quagmire of vicious infighting among various creditor factions, according to parties to ongoing negotiations. However, at presstime, the judge overseeing the case, frustrated at the absence of a settlement, imposed settlement talks among all parties, and will referee those talks.

The ongoing court hearing of Ames' motion to consolidate all creditor claims against the 53 Ames subsidiaries will be key to Ames' continued survival; if Ames loses its consolidation bid, subsidiary and secured creditors could tear the company apart piece by piece.

According to Josh Goldberg of investment banking firm Financo, which represents Ames bondholders, well over half of the "dollars" that have to approve any proposed reorganization plan for the bankrupt retailer are opposed to the structure as presented to the Bankruptcy Court in early January. Ames needs three quarters of its creditors (on a dollar basis) to agree for its plan to be approved.

At issue is the survival of the company. Main secured lender Citibank and subsidiary secured creditors contend that they should be allowed to recover whatever they can from each of Ames' 52 subsidiaries, while Ames contends that they should collect from the consolidated parent. If the secured lenders have their way, they would quickly collect any cash on hand, and Ames would probably cease to exist.

Stan Greenstein, senior vice president and chief financial officer of Gitano, the chairman of Ames' vendors committee, expects Ames to prevail. "I think the plan Ames submitted is reasonable," he said. "There are a few adjustments we'd like to see made, but I believe a practical settlement can be negotiated."

Not if Citibank and the subsidiary creditors prevail in court. Citibank maintains that the assets of Ames' subsidiaries were pledged as security for loans the bank made to Ames prior to the Chapter 11 filing two years ago. It wants to recover whatever assets each

(Continued on page 36)

Meijer Allots $100M for Clubs

SourceClubs to Debut in Michigan and Ohio

By Arthur Markowitz

GRAND RAPIDS, Mich. — Meijer has narrowed down the sites for its initial SourceClubs to Michigan and Ohio, but didn't target any opening date for the membership warehouses.

According to SourceClub president Paul Boyer, the Flint, Lansing and southeast Michigan and Dayton, Ohio, markets "appear to have the most readily developable sites at this time" for the initial clubs. Boyer declined to comment on a report that the first SourceClub would be unveiled in Grand Rapids this fall so that Meijer can closely monitor the venture's first steps.

Trade sources also reported that Meijer has earmarked $100 million to develop and start SourceClub and has hired a number of experienced wholesale club executives in the merchandising, operations and technology areas to launch the membership warehouse. The retailer plans to have five SourceClubs in operation within a year.

Should SourceClub open in Grand Rapids, Mich.—Meijer's home town—it would face two Sam's Clubs and one Pace Membership Warehouse. The competitive situation isn't any easier in the other Michigan markets as Sam's, Pace and the Warehouse Club together have more than a dozen clubs in this part of the Wolverine State, with more stores on the drawing boards.

Dayton, meanwhile, has a Sam's and a Warehouse Club, with another Sam's Club due next year.

One industry source said that SourceClub wouldn't be deterred from going into markets that already have other clubs. The industry's growth is so rapid (see story, page 31) that there is room in markets that now seem filled. The experience of the major players is that you first stake out a presence and then grow as the wholesale club concept draws more customers and the market itself grows, the source explained.

SourceClub, through its Meijer heritage, should be able to offer its customers better merchandising in such areas as in-store bakeries and fresh produce than can competing wholesale clubs, the source added.

Costco Plans London Clubs; Sam's Next?

By Arthur Markowitz

LONDON — Costco Wholesale plans expansion efforts to England with clubs in at least four cities—London, Birmingham, Manchester and Leeds—and is expected to have at least two units in operation by mid-1993, according to *Retail Week*, a business weekly.

The newspaper also reported that Wal-Mart's Sam's Club division was talking to "a major European retailer" on opening stores in Europe with England as a "high priority." A Sam's spokesman said the European expansion is "only speculation at this stage," the newspaper reported.

Costco plans to open four clubs around the M25 highway that rings London—one in each quadrant—and was working with an English real estate firm, Jones Lang Wootton, on sites. Carrefour, the French retailing conglomerate that holds a 23% stake in Costco, is working with the membership warehouse on its fast-track European expansion.

(Continued on page 33)

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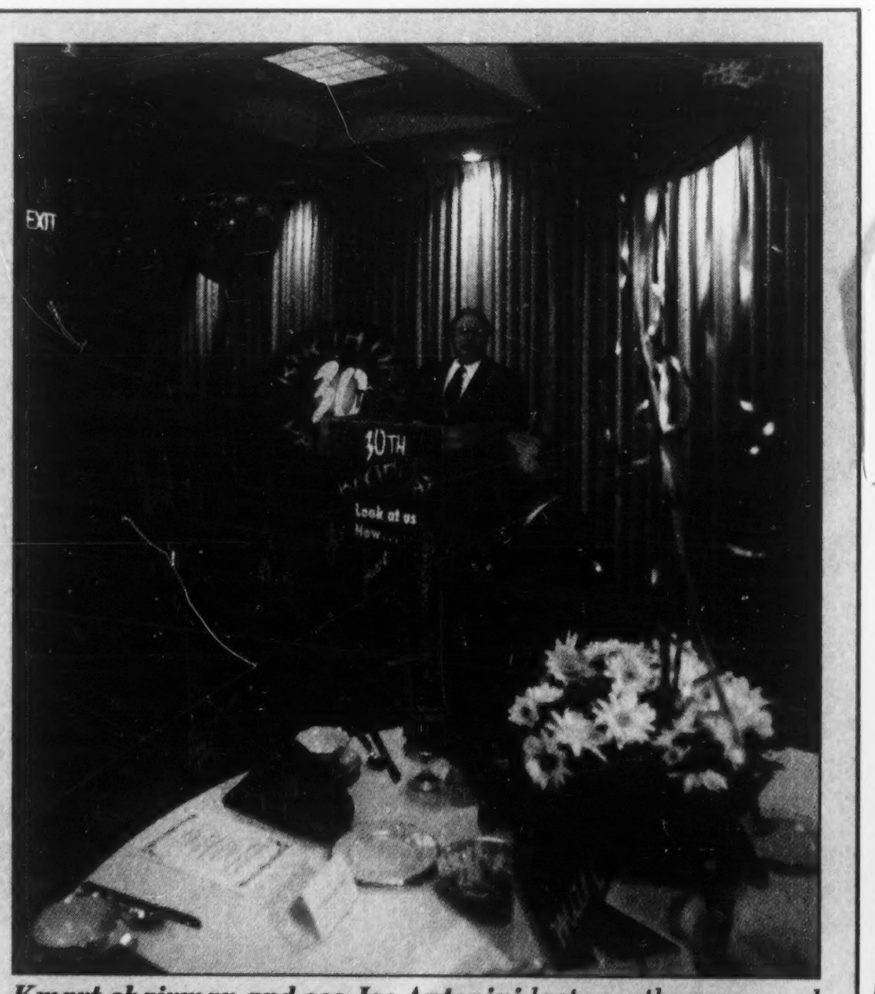
Vendors Fight to Survive Shakeout — Home Office Merch./pg. 19

Costco Adds Two Test Departments — Hard Lines/pg. 29



***Kmart chairman and ceo Joe Antonini** last month announced plans for the 30-year-old discounter's birthday bash March 1.*

Kmart's Birthday Bash: 30 Years Strong & Still Committed to Customers

TROY, Mich. — Promising a party to end all parties, Kmart vice president of marketing Michael Wellman previewed what the company expects to be "absolutely the biggest birthday party of all time." Said Wellman, "We'll show you how to do it right."

Kmart execs revealed a few details of its 30th birthday gala event March 1 before an audience of consumer and trade press at headquarters last month. At the same time, some details about what is being dubbed the "Oak Park III" prototype were also disclosed.

Chairman Joe Antonini also announced that the new Kmart radio station will reach 200 of the chain's 2,375 stores by June, with plans to roll out its availability in the future.

(Continued on page 4)

To Facilitate Growth, Ward Gives Nod to Top Execs

CHICAGO — Montgomery Ward has promoted several key executives "to facilitate the company's growth plans," according to chairman and ceo Bernard Brennan.

Bob Schoeberl was named senior vice president, Electric Avenue. He was formerly senior vice president, automotive and will report to Dan Levy, vice chairman and chief executive officer.

Succeeding him will be Larry Day, named vice president, Auto Express. He will report to Schoeberl and was formerly field director, Auto Express. Buck Pohlman was named executive vice president, stores and finance, and will be responsible for the company's entire field operations, as well as overall financial responsibilities. John Workman was named vice president and controller, reporting to Pohlman.

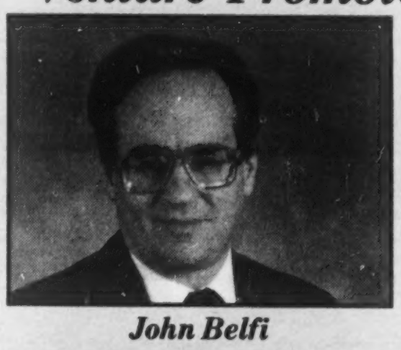
Dick Rusthoven was promoted to executive vice president, apparel, from senior vice president, apparel, and will be responsible for all of Montgomery Ward's apparel operations.

Bob Kasenter, a 23-year Ward veteran and previously senior vice president, human resources, was promoted to executive vice president, human resources. Don Docken is now responsible for planning in addition to his former responsibility for merchandise presentation, and will report to Bill McCarthy, president, marketing. And Ed Zgonina, formerly director, store planning, was named vice president, store planning and construction, reporting to Docken.

Phil Delk was named vice president and deputy general counsel, reporting to Spence Heine, executive vice president, legal and financial services.

Although Bill McCarthy's title remains the same, he will now have "ultimate responsibility for advertising, merchandise presentation and planning, which will allow for a high degree of coordination among these critical areas," Brennan said. "The new appointments utilize the strengths and management experience of these long-term Montgomery Ward senior management associates in focusing on the critical activities of the company," he continued. "This will enable us to further accomplish the goals of our value-driven store strategy."

Venture Promotes 3 to Key Posts



John Belfi

Val Torstenson

Bob Neel

O'FALLON, Mo. — Venture Stores, the 84-unit chain based here, has promoted three people in the discounter's merchandising and operations areas.

John Belfi has been named divisional merchandise manager over hardware, automotives, lawn and garden and patio furniture.

Val Torstenson has been promoted to director of systems development and information resource management. In her last position, she was director of information resource management. The promotion expands her responsibilities to internal systems development.

Bob Neel now holds the director of systems development post, having been manager of systems for the past five years.

In his new position he will direct 30 associates and continue to be responsible for the development of new and enhanced MIS.

New Stores Expand ShopKo Vision

GREEN BAY, Wis. — ShopKo announced it will open three stores this year built from the ground up to its new Vision 2000 prototype.

The first opens next week in Salem, Ore., and the other two will open during July in Helena, Mont., and Hutchison, Minn.

The western stores will cover 115,000 sq. ft., while the Hutchison unit, a relocation, will come in at 76,000 sq. ft.

The first Vision 2000 was a remodeled store that opened last November in Green Bay, near corporate headquarters.

The hallmark of the Vision 2000 prototype is an emphasis on fashion presentation in apparel and home decor, along with expanded offerings in those categories, as well as music and video.

The openings will bring store count to 112 for 1992.

ShopKo, which went public last fall, is making $36 million in capital outlays this year to expand its three DCs—DePere Wis., Boise, Idaho, and Omaha, Neb.—by 142%. Another capital project is a three-year, $25 million investment in computer systems to improve customer service, payroll efficiency and inventory management.

***ShopKo is opening three** new Vision 2000 stores which improve the chain's fashion presentation in apparel and home decor.* (DSN photo)

McCrory Misses Debt Payment

NEW YORK — McCrory Corp. disclosed that it missed a $3.4 million debt payment due Feb. 15 and is "considering its restructuring options."

One of those reportedly might be to seek protection from creditors by declaring Chapter 11 bankruptcy.

Just before Christmas, McCrory announced it will close 200 of its worst performing variety stores and fire about 2,000 of its 25,000 workers. It then operated 1,200 stores under the names of McCrory's, G.C. Murphy, J.J. Newberry, H.L. Green and S.H. Kress in two dozen states.

Full year sales figures are unavailable, but for the first nine months of 1991, sales declined to $960.7 million from $1.05 billion in the same span of 1990, and McCrory lost $42.3 million.

McCrory Corp. is owned by the privately held Riklis Family Corp. based in New York.

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Yarn crafts find a home with time-pressed consumers.
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SPECIALTY STORE FOCUS

A Round-Up of News at Warehouse Clubs, Catalog Showrooms and Specialty Retailers

Service Merchandise to Open New Showroom

NASHVILLE, Tenn. — Service Merchandise plans to enter Minnesota this summer by opening a 50,000-sq.-ft. showroom in Minneapolis, at about the same time that Best Products is due to close its six stores in the Twin Cities (see *DSN*, Feb. 17, page 5). Service Merchandise expected to open 12 new showrooms this year, while replacing five others and renovating one.

BizMart Lands on Virginia Beach

ARLINGTON, Texas — BizMart entered the East Coast last month with an office supplies megastore in Virginia Beach, Va. The now 75-unit chain plans to open 100 stores by October. Until the opening of the Virginia Beach store Feb. 16, BizMart operated largely in the Southwest and Western United States.

Smart & Final Begins Sunday Operations

SANTA BARBARA, Calif. — Smart & Final has begun opening all its 118 non-membership wholesale clubs on Sundays after testing the move in January and early February. Chairman and ceo Robert J. Emmons said, "Sunday openings will further enhance our ability to meet customer needs for convenience and overall value." The food-oriented club chain, which is about half-owned by Casino France, a major French retailing conglomerate, plans expansion to Texas next year from its current California, Nevada and New Mexico markets.

Specialty Retailer Bows 36th Pet Store

PHOENIX, Ariz. — PETsMART, a specialty retailer of pet food and supplies, opened its 36th store, in Mesa, Ariz., last month. At 25,000 sq. ft., PETsMART locates its stores in power centers. The new Mesa unit opened Feb. 24 next to a Price Club. For 1992, PETsMART plans 32 new store openings.

Value Merchants Join the NYSE

MILWAUKEE, Wis. — Value Merchants, operator of Toy Liquidator toy stores and Everything's a $1 dollar stores, joined the New York Stock Exchange effective Feb. 13. The company's ticker symbol is VMI.

Association to Link Interactive Services

SILVER SPRING, Md. — The Interactive Services Association has been formed to promote telecommunication-based interactive services for transactional selling, information, communication and entertainment services for home and office usage. The ISA is the successor to the Videotex Industry Association and will also provide a link between the interactive services of the telecommunication (cable, broadcast and telephone) industry and consumer videotex/on-line computer companies.

At the ISA's first executive forum, Walter Forbes, founder and chairman of CUC International, a $500 million interactive shopping service, cautioned that interactive technology must add value to the consumer in order to be a commercial success. If the technology doesn't add value, then a service provider like a retailer shouldn't use it. The ISA will hold its next conference, "Interactivity I: America's Telecommunications Future" in Washington, D.C., Feb. 13 to 14. For more information call ISA, 301/495-4955.

Electronic Retailing Gains Devotees

But Sales Figures Fleeting

By Arthur Markowitz
Nationwide DSN Report

The number of consumers able to access electronic retailers has markedly increased, but the actual sales made through computer and telephone on-line services remains a mystery.

Only two companies, CompuServe Information Services and Prodigy Services, provide an extensive electronic retailing service. The other computer and telephone on-line services (see chart) offer mainly local shopping as part of their operation and/or a connection to CompuServe or CUC International. CUC, a phone and computer service, maintains a listing of over 25,000 items which consumers can order through the company from the wholesalers and other sources that supply the merchandise.

CompuServe, the second largest computer information and shopping service in members, continues to be the only one giving any indication of its shopping activity. It reported that 1991 sales on The Electronic Mall on-line shopping service increased 20% over the previous year, while traffic rose 18.5%, the number of orders grew by 22%, the response rate (total orders divided by total visits) was 4.45% and the average sale rose from $65.45 to $69.66.

The Electronic Mall's 1990 volume was up 62% from 1989, traffic increased 10%, the response rate was 4.3% and the average ticket was in the $55 to $60 range.

The holiday season was The Electronic Mall's busiest time, but the service "tried to attract a steady flow of traffic by aggressively promoting [shopping] year round," Regina Brady, CompuServe's director of customer promotions, said. "As a result, our sales remained strong all year, with more than 80% of sales revenues coming in the first 10 months."

Prodigy, the largest service in members, shuns the release of any financial information. A joint venture of Sears and IBM that already involved about a $750 million investment, the service is believed to have lost over $60 million last year.

But Ross S. Glatzer, Prodigy's new president and ceo, said the service was approaching the break-even point and should become profitable within two years. Glatzer succeeded Theodore C. Papes Jr., who headed Prodigy from its founding in February 1984 until his retirement this month.

Prodigy's main income is revenues from advertisers—its main mission is electronic retailer and product information—and from membership fees. *DSN* estimates Prodigy's revenues last year totaled about $25 million, approximately $10 million from membership fees and about $15 million from advertisers, the latter figure an advertising industry estimate.

Actual usage grew faster, Prodigy reported, with members connecting to the service for its information and shopping service reaching 12 million 'tune-ins' in December 1991, compared to 7 million times in December 1990. That rate has since reached 500,000 tune-ins daily, while membership has grown to 1.4 million.

CompuServe, which has 903,000 members worldwide, has responded to Prodigy's rapid growth by adjusting its fees to be more competitive, particularly in the electronic retailing arena.

(Continued on page 33)

On-Line Services That Include Electronic Retailing

Company	Service	Members (In Thousands) 12/91	12/90	Percent Change
Computer On-Line Service				
Prodigy	Prodigy	1,350.0	700.0	92.9%
CompuServe	CompuServe	903.0	740.0	22.0
GE Information Service	GEnie*	287.0	250.0	6.8
General Videotex	Delphi*	71.0	69.0	2.9
U.S. Videotel	U.S. Videotel	8.0	16.1	(50.3)
Phone Company Gateways				
BellAtlantic	Intelligate Washington*	6.5	7.0	(7.1)%
BellAtlantic	Intelligate Pennsylvania*	6.5	6.5	0
US West	Community-Link	8.5	5.6	15.2
BellSouth	TUG/Atlanta[1]	2.5	3.0	(16.7)

**-IIB Estimate*
[1]—Inactive and private users purged from count.
( )—Decline
Source: Information Industry Bulletin

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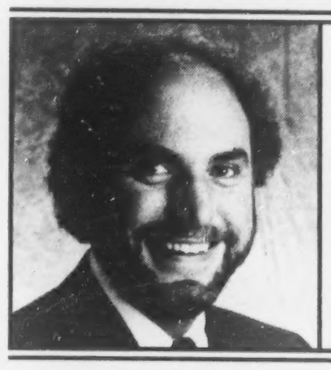
EDITORIAL

Stay Tuned . . . to Your Customers

Once upon a time a discounter was clearly a discounter, a department store was a department store, a drug store was a drug store, and a supermarket was a supermarket. Suppliers distributed their products, retailers marketed their products and consumers shopped for their products accordingly.

But this no longer seems to be the case. According to preliminary results of an exclusive consumer buying behavior study conducted by Leo J. Shapiro & Associates for *DSN*, consumers no longer differentiate among retail concepts the way they once did. The study revealed that consumers do not draw the same lines as the trade between discounters and non-discounters. Furthermore, the traditional so-called "boundaries" or segments of retailing are more blurred than ever and vary dramatically according to specific product categories.



TONY LISANTI
Editor

While this may come as no surprise to some retail industry executives, I believe for the most part that these findings are either misunderstood, ignored or undervalued by most execs. The fact is that consumer buying patterns have changed significantly and faster than anyone could have predicted. And they continue to impact dramatically the already competitive, and in some areas overstored, marketplace.

Consider the following findings from *DSN*'s exclusive consumer research study:

- One in five consumers surveyed buying home electronics from a department store describes it as a discount store.
- About 10% of the consumers buying domestics, children's clothing and men's clothing from a department store describe it as a discount store.
- While 90% of the survey respondents recognize deep discount drug stores as discounters, nearly half describe conventional drug store chains as a discount store when they purchase personal care products and non-prescription medicines.

This data is merely a tidbit of the findings from *DSN*'s First Annual Consumer Buying Behavior Study, which will be published in the March 16th issue.

Stay tuned—not only for more survey results—but to your customers as well!

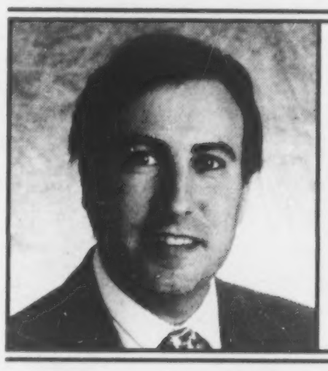
BUYERS & SELLERS

Manufacturers More Focused on Retailers' Needs

The past few weeks have been a whirl of trade shows. Flying around the country to see retailers and vendors at the Winter Consumer Electronics Show, the Photo Show and the National Candy Wholesalers Convention can leave one a bit jet-lagged.

It also can reap numerous observations about the retail scene in general that are often overlooked in routine news articles about the events. One insight that was especially in evidence at all three shows was that manufacturers are getting a better handle on understanding what retailers are looking for.

One example from WCES: Curtis Manufacturing, a maker of computer accessories for the past 10 years. As one of the first vendors in that category, Curtis has watched how competition has driven down prices on accessories from, say, $13.99 for a set of printer leg stands to about $5.99 today. Also, the decline in prices on computer hardware products has necessitated a concurrent decline in accessories prices in order the maintain the historic price differential between hardware and accessories.



DON LONGO
Exec Editor

From the retailers' standpoint, the same product, taking up the same amount of shelf space, but at the lower price point, would not provide a sufficient return. In order to continue selling that product, the vendor had to try to improve the return for the retailer. Raising the price would have provided a better return, but with lower priced alternatives, consumers would not have accepted the higher ticket. Instead, Curtis took the product out of the box and repackaged it so that the printer leg stands are now stackable, much the way resin patio chairs are nested one onto another in the seasonal department.

The result is that a retailer can now achieve an acceptable return from the lower priced product because he can put more product on the shelf in less space and get higher turns.

I'd like to hear from other manufacturers who have made changes in their products to address specific concerns of retailers. Call me at 212-756-5107, or fax: 212-756-5125.

TAKING STOCK

Business People Can Press Political Bounds

Joseph Marie Comte de Maistre, an 18th century French philosopher, statesmen and writer, warned that "every nation has the government it deserves."

Two centuries later, president Calvin Coolidge declared: "The business of America is business."

The Cold War's demise, combined with the United States' continued economic malaise, ongoing changes in the country's demographics and the revolutionary impact of technology in the manufacturing and service fields have resulted in the unfolding of a new political and economic world.

This new world won't change the democratic nature of the U.S. government. But the new world will influence the business of government—the selection of what services to perform and determining how and at what cost to deliver those services. And the choices in benefits and costs that the people make will be the government the nation deserves.

ARTHUR MARKOWITZ
Senior Editor

Business people, including retailers, their employees and their suppliers, have to become more directly involved in the process of selecting services and delivering choices at all levels of government as these decisions affect their livelihood and the nation's future. That involvement doesn't require running for elective office or running after appointed positions.

Business people can contribute toward clarifying the choices and costs for government services and developing standards for delivering these benefits. They should require everyone running for office, from president down to dog catcher, to do what any good business person does in mapping out a business plan: quantifying options and detailing decisions and proposed programs based on the costs/benefits of these choices.

Failure to clarify the choices facing the nation won't affect just a few businesses or individuals. History subsequent to President Coolidge's free and easy flapper period has shown that failure to take care of the business of government results in the business of America failing.

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Cable Address: LEBHAFRIED
Fax # for News Releases: 212-756-5125

Publisher JOHN FAILLA

Editor TONY LISANTI

Executive Editor Donald Longo
Special Projects Editor Pete Hisey
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Art Director Milt Berwin
Graphic Artist Maryellen Seery

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
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Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

Business Manager Roch Minieri
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New Players Add Fire to Warehouse Club Biz

By Arthur Markowitz
Nationwide DSN Report

The membership warehouse juggernaut rolls on. The segment is powered by:

- The explosive growth in revenues and stores of the five major chains—Sam's Club, the Price Club, Costco Wholesale, Pace Membership Warehouse and BJ's Wholesale Club.
- The advent of new players—SourceClub in the United States, and Club Aurrera and Price Club de Mexico south of the border. Also, a number of companies are eyeing Europe.
- The growing success of niche marketers like Smart & Final, which utilize aspects of the wholesale club concept.
- Diversification into ancillary business, like shopping centers that include a wholesale club as an anchor, with the Price Co., leading the move.
- The continued expansion of club services like credit card acceptance, hot dog and pizza stands and guaranteed prices for core business merchandise through a key selling season.

The scope of the membership warehouse industry can be gleaned from a few statistics. The industry's revenues—sales and membership fees—reached $27.35 billion last year, up 34.7% from $20.31 billion in 1990. The percentage increase in revenues outpaced the growth in clubs, which went up 22.97% from 505 units to 621 stores.

This year the industry's revenues are likely to reach $35 billion, a conservative figure that is still a 25% jump, while the club count will hit 716 units, a 15% increase.

This impressive growth, however, continues to be powered by the top five membership warehouses which last year accounted for 26.5 billion in revenues or 96.1% of the industry's total. These chains' overall revenues jumped 35.7%, outpacing the industry's total growth. They also accounted for a greater share than in 1990, when total revenues of $19.4 billion amounted to 95.4% of the industry's overall revenues.

A similar story was played out for the club count. The top five last year operated 482 stores, which accounted for 77.6% of the industry's total; their count is expected to grow 16% and reach 559 clubs this year or a 70.1% share.

The impact of the five in the club count isn't as overwhelming as in the revenues area because of Smart & Final, a niche membership warehouse that operates the second largest number of clubs, 118 last year, which is expected to increase 8.5% to 128 this year. The $663 million company, which went public in mid-1991, is partly owned by Casino, Guichard-Perrachon et Cie, a public French retailing and manufacturering conglomerate.

Unlike traditional wholesale clubs, Smart & Final merchandises a wider assortment of about 10,000 skus, primarily food with a selection of office supplies, household and janitorial items. It also sells goods under four private labels.

More than 90% of its clubs are in California, the rest in Nevada and New Mexico. The Dallas/Fort Worth market is on the drawing board for 1993.

The industry's two other niche players are Convenience Club, with three units, and H-E-B Bodegas, two stores.

Convenience Club, modeled on the traditional membership warehouse, is operated by Certified Grocers of California as its experimental response to the impact of clubs like Price on the wholesaler's business with convenience stores, restaurants and similar retailers.

H-E-B Bodegas, test ventures by the H.E. Butt supermarket company, are mini 35,000-sq.-ft. clubs that don't charge a fee to business or group (consumer) members. Some of the institutional and large-size items in the clubs are found in a few Butt's supermarkets, but there is little overlap in merchandising.

The industry's diversification has seen the Price Co. turn a number of the sites it owns into shopping centers, with Price Club as anchor. Earlier this year, the company spun off five sites, four of which have Price Clubs, into The Price REIT (real estate investment trust) that generated about $71 million for future expansion. Previous diversifications include starting its own meat packaging plant, candy bagging operation and photo lab.

Smart & Final has acquired Port Stockton Food Distributors, an institutional full-service food distributor in California. The company now deals with customers through its self-service clubs or its full-service distributor.

Related to the selective diversification is the expansion of service and merchandise areas. In the service arena, the five major clubs either accept or are testing one credit card, the Discovery Card, because it doesn't charge any annual fee and returns up to 1% of the sales to card holders. The Price Club, which has a $75 minimum for a charge purchase in its test clubs, explained to members that with its high volume its merchants fee is about equal to the cost of processing a check.

The newest merchandising/service endeavors are hot dog stands at Sam's and the Price Club and a fresh pizza service being tested by Pace. Scratch bakeries and fresh meat and produce have become ubiquitous in the last year, joining auto buying, prescription and low-cost telephone services rolled out previously. Costco is testing a mini-home center section in three clubs.

Price is the industry's driving attraction. Sam's is keying in on this by guaranteeing the price of business products during their main merchandising season. One example: playing up its guarantee of the price of 18 office supplies through May in its club newspaper, Sam's Buy Line, distributed to fee-paying business members.

Perhaps the best gauge of the clubs' success can be found in the number of companies entering the industry, and the expansion of the concept to other countries. H-E-B Bodegas was launched in mid-1991, and as the year ended the first membership warehouse, Club Aurrera, was launched in Mexico as a joint venture between Wal-Mart, Sam's parent, and Cifra, N.A., the largest Mexican retailer. This year, the Price Co. opened Price Club de Mexico, a joint venture with Comercial Mexicana, a major Mexican merchant.

Meijer, a top 10 discounter, is due to open its initial Source Club this fall. And waiting in the wings are moves to Europe by Costco, likely in England by mid-1993, followed by Sam's and others.

In less than two decades, the Price Co.'s first club on Morena Boulevard in San Diego has grown into a $27 billion business in the United States and Canada—and is poised to become a worldwide industry.

No other merchandising concept has been as sucessful.

The Membership Warehouse Industry

Chain	Revenues (a) (In Millions) 1991	1990	Percent Change	Number of Stores 1/91	1/92	12/92*
Sam's Club[1] Bentonville, Ark.	$ 9,430	$ 6,579	43.3%	148	208	238
Price Club[2] San Diego, Calif.	6,598	5,286	24.8	66	77	91
Costco Wholesale[3] Kirkland, Wash.	5,216	4,060	28.5	68	81	91
Pace Membership Warehouse[4] Aurora, Colo.	3,600*	2,295	57.6	70	87	102
BJ's Wholesale Club[5] Natick, Mass.	1,435*	1,150	24.9	27	29	37
Smart & Final[6] Santa Barbara, Calif.	663	564	17.5	111	118	128
Warehouse Club[7] Skokie, Ill.	243	265	(8.3)	10	10	10
Wholesale Depot[8] Natick, Mass.	80*	50*	60.0	3	4	7
Convenience Club City of Commerce, Calif.	75*	60*	25.0	2	3	3
H-E-B Bodega[6] San Antonio, Texas	10*	—	—	0	2	2
Club Aurrera[9] Mexico City, Mexico	—	—	—	0	2	4
Price Club de Mexico Mexico City, Mexico	—	—	—	0	0	2
SourceClub Grand Rapids, Mich.	—	—	—	0	0	1
Total:	**$27,350**	**$20,309**	**33.5%**	**505**	**621**	**716**

a—Sales and membership fees except where noted
**DSN estimate*
( )—decrease
[1]Includes 28 former The Wholesale Club units acquired 2/91.
[2]Includes sales from 12 Canadian clubs; revenues excludes membership fees of $142M in '91 and $114.6M in '90 units.
[3]Includes sales from 10 Canadian clubs; revenues excludes membership fees of $89.7M in '91 and $73M in '90.
[4]Includes 17 Price Saver acquired 12/90.
[5]Closed one club in 1990, four clubs in 1991.
[6]Doesn't charge any membership fee.
[7]Two clubs closed in 1990.
[8]Closed one club in 1991.
[9]Opened initial two clubs 12/91.

Sam's Club fiscal year ends Jan. 31.
Price Club fiscal year ends Aug. 31, 1991.
Costco Wholesale fiscal year ends Sept. 1, 1991.
Pace Membership Warehouse fiscal year ends Jan. 29.
BJ's Whole Club fiscal year ends Jan. 25.
Smart & Final fiscal year ends Dec. 29, 1991.
Warehouse Club fiscal year ends Sept. 28, 1991.
Wholesale Depot fiscal year ends Dec. 31, 1991.
Convenience Club fiscal year ends Aug. 31, 1991.
H-E-B Bodegas fiscal year ends Oct. 31, 1991.

Source: DSN research

Who offers the most weighing mechanism options in their regular product line? Only Counselor offers FOUR weighing mechanisms in their regular product line: the W-mechanism, the channel bar, the photosensor system and the strain gauge mechanism.

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Guffey to Revamp Kmart Loss Prevention

(Continued from page 3)
operates under an "archaic" LP management structure, he said, in that its LP director lacks direct line accountability from his people in the field. Speaking only on background, the LP executive said that at Kmart, the head of LP for a store reports to the store manager, instead of to the director of LP at headquarters.

Guffey goes from directing loss prevention for a 30-store company with estimated sales of $250 million in 1991 to a chain with 2,345 U.S. discount stores and 1991 sales of $26 billion.

The quantum leap in store count and sales is immaterial, said an LP industry source who also has known Guffey since his Target days.

"What is important is how good a manager you are and whether you have the vision to implement your LP philosophy," the source said.

Kmart is the fourth multi-billion dollar retailer to replace a long-term LP director in the past year, the source said.

The source said he suspects Kmart did so for the same reason the other three did: to get a new person from outside who would aggressively move to turn LP into a profit center. Another way to add profit dollars is to take advantage of state laws that allow civil recovery. Laws in 40 states let retailers go after the pocketbooks of accused shoplifters, dunning them for as much as $500, in lieu of criminal prosecution, to defray costs of security guards and equipment.

Kmart is attempting civil recovery in only two states, Florida and Texas, said Read Hayes, a security consultant for Loss Prevention Specialists, Winter Park, Fla., a subsidiary of Ross Stores. For a percentage of the amount collected, Loss Prevention handles civil recovery for Kmart in those states.

In addition to increased civil recovery efforts, Guffey "would have to change the reporting structure," Hayes predicted. The present one leaves open the possibility of collusion among dishonest store personnel, he said. Shoplifting is only part of the shrink problem, he said.

The million dollar question is what Kmart will do about electronic article surveillance tags, Hayes said.

Upon Way's departure, Kmart canceled a contract he had just let to protect the consumer electronics corrals of 200 stores with EAS tags and monitors from Checkpoint, Thorofare, N.J. In contrast, Wal-Mart and Target are protecting 100 and 125 entire stores with EAS tag systems.

Way's intended approach of protecting just one department, instead of the entire store, involves enormous problems, said a Kmart headquarters source who agreed to speak only on background. Customers have to remember to checkout twice, once at the consumer electronics department and again at the main exit, or risk the embarrassment of setting off alarms.

Kmart is tight-lipped about sharing shrinkage information with the industry, another discounter LP source said. But he suspects its shrink rate runs higher than average in the discount store industry. (Ernst & Young found that the shrink rate averaged 1.8% for the 19 discount chains questioned in its 1991 loss prevention survey conducted for the International Mass Retail Association.)

Electronic Retailing Gains Devotees

(Continued from page 6)
Last year, CompuServe switched the access charge for consumers who only wanted to shop The Electronic Mall to a flat fee of $2 a month and a small hourly communication surcharge. This month its basic charge was changed to $7.95 a month for 30 services, including The Electronic Mall, from a combination of a $2 membership fee and hourly connect charges as high as $12.50 an hour.

Prodigy has always charged a flat fee, raising the charge last year to $12.95 a month ($9.95 in a one-year subscription) from $9.95. Both Prodigy and CompuServe levy additional charges for some select services.

CompuServe spurred shopper interest in The Electronic Mall in 1991 by eliminating the hourly connect charge for using that specific service. Brady said that CompuServe found that when members could browse "at their leisure without worrying about connect charges, they're more likely to make a purchase."

Costco Plans England Expansion

(Continued from page 1)
Costco is striving to be the first American wholesale club in Europe so it can beat competitors, all of whom are also eyeing European expansion.

A Costco exec told *DSN* earlier this year that European membership warehouses like Makro and the cash and carry stores weren't seen as a major competitive problem. These wholesale clubs aren't as sharply priced as American membership warehouses and carry a much broader assortment, which results in a lower turn and higher costs.

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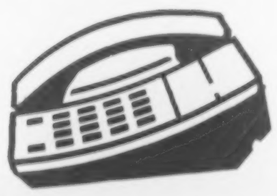

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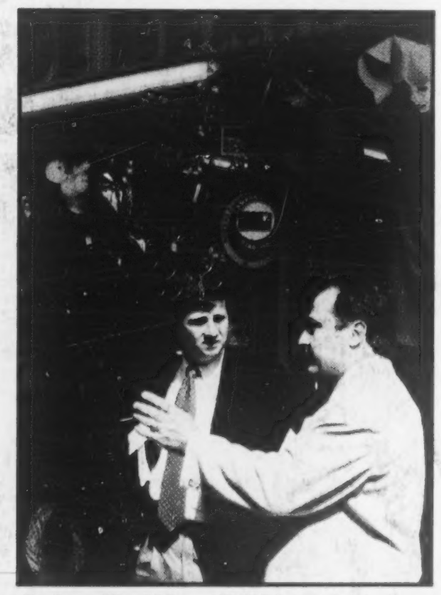
VOL. 31, NO. 6 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $5 per copy | March 16, 1992

***Club Aurrera,** the new joint venture between Wal-Mart and CIFRA, was among the stores toured at the Mexican conference.* (DSN photos)

DSN Co-Hosts Mexican Tour as NAFTA Nears



***John Failla,** DSN publisher chats with Gobind Hira, owner of Kay International, at the confab.*

By Mary Ellen Kelly

MEXICO CITY — As negotiators from the United States, Mexico and Canada were hammering out elements of the proposed North American Free Trade Agreement in Dallas last month, retailing and manufacturing executives from the U.S. and Mexico convened a few hundred miles to the south to investigate "Opportunities in Mexico."

Representatives from more than 40 companies attended this international event, cohosted by *Discount Store News* and TRADE, The Retail and Distribution Services Group of Deloitte & Touche.

The two-day seminar consisted of a full-day tour of Mexico's leading retailers and a day-long seminar program covering topics ranging from the forecasted impact of NAFTA on the participating countries and its retailers, to current tax laws governing Mexican retailers and the advances in retail technology being made in Mexico. (Watch for a special report on the conference to be published in *DSN*'s May IMRA issue.)

Executives from retailers like Dayton Hudson, Payless

(Continued on page 6)

Sears Mexico Enters The Discount Bullring

By Mary Ellen Kelly

PACHUCA, Mexico — Sears AutoServicio opened its doors here, 100 miles north of Mexico City, and ushered Sears Roebuck de Mexico, S.A., into the world of traditional discount store retailing.

Unlike any other Sears in Mexico, the United States or Canada, this 55,000-sq.-ft. Sears AutoServicio (self-service) test store could ultimately trigger Sears Mexico's North American counterparts to review their own staid approach to retailing.

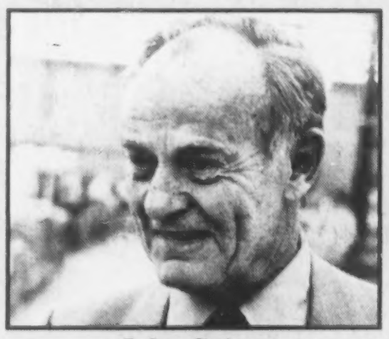
***AutoServicio:** Sears Mexico is testing a traditional discount store format. The unit sells basics for low- to middle-income shoppers.* (DSN photo)

The test unit, complete with square racetrack, neon colored speed tables and centralized checkout at the front end, can only be recognized as a Sears by the sign at the front of the store and Sears' trademark Craftsman tools center.

Thurman Williams, president of Sears Mexico, said the store in Pachuca will need at least a full year of operation before he can determine whether additional units will be opened. The Pachuca format is now halfway through its test period.

If successful, the Sears AutoServicio would become one tine in Sears' three-pronged approach to retailing in Mexico.

(Continued on page 8)



John Geisse

Discount Pioneer Geisse Dead at 71

By Arthur Markowitz

INDIANAPOLIS — John Geisse, a pioneering discount store executive who originated the upscale discount store concept and launched three successful chains, died at his home here Feb. 21 of a heart attack. He was 71 years old.

(Continued on page 54)

Membership Warehouses Target New York Market

By Arthur Markowitz

NEW YORK — Membership warehouses are stepping up their expansion into the Greater New York market as part of the industry's explosive growth in the Northeast.

Sam's Club, Costco Wholesale and Pace Membership Warehouse are all set to enter the New York market this year with a total of at least nine clubs, joining Price Club and BJ's Wholesale Club, which together already have three stores and are each opening at least one more.

A number of factors are behind the clubs' move into the Greater New York market. These include:

- The area is the largest remaining market in the nation for clubs to exploit. Boston, the other major market that clubs haven't yet developed, offers much less potential than New York.
- Mall developers in the market are turning to clubs as major tenants instead of conventional department stores, whose viability and traffic draw are open to question.
- The demise of some retailers and other businesses has freed up space for freestanding clubs, particularly in built-up communities on Long Island and in Westchester County with little room for new construction.
- Builders are rushing to complete projects before zoning and environmental regula-

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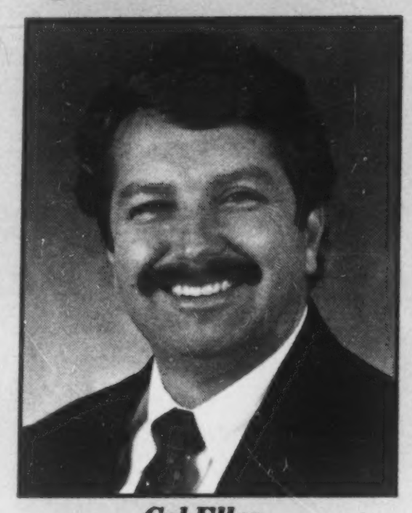
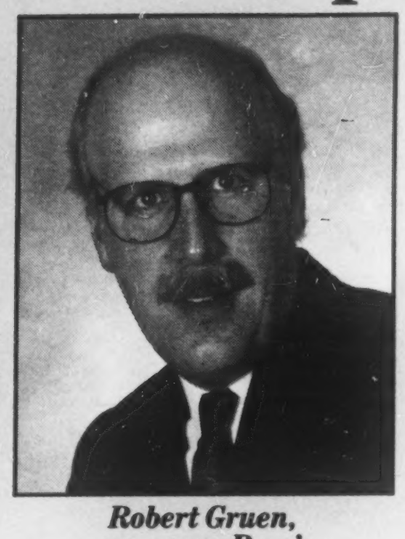


Cal Eller, sr. vp, gmm, Venture



Robert Gruen, vp, gmm, Rose's

Richard M. Maguire, vp, home decor, Target

NEW YORK — Two executives from top regional discounters and one from the third largest discount chain in the nation have agreed to participate in the 1992 SPARC (Supplier Performance Awards by Retail Category) program.

The executives, Cal Eller, senior vice president and general merchandise manager for Venture Stores, O'Fallon, Mo., and Robert Gruen, vice president and general merchandise manager of Rose's Stores, Henderson, N.C., have joined this prestigious industry group, which includes top merchandising executives from such chains as Wal-Mart, Kmart, Service Merchandise, Hills, ShopKo, Jamesway, Fisher's Big Wheel and Zellers.

In addition, Richard M. Maguire, vice president of home decor for Target Stores, Minneapolis, succeeds former Target president Warren Feldberg on the committee. Feldberg left the third largest discounter last year to become chairman of Marshalls, the nation's largest off-price apparel chain.

The SPARC committee was organized 15 years ago by *DSN* to honor the suppliers that best understand how to serve the needs of discount retailers. Buyers from 150 discount retailers will be getting nominating forms soon to select suppliers they feel contribute the most to discount retailing. General merchandise managers from those chains then vote to select a ballot of finalists in 20 merchandise categories.

In addition to presenting the awards at *DSN*'s annual SPARC banquet (to be held Sunday, Aug. 16, in Chicago), the committee votes on the top prize of Vendor of the Year. *DSN*'s Discounter of the Year and induction of an industry leader into the Discounting Hall of Fame are also highlights of the evening awards banquet.

Kmart senior vice president and general merchandise manager William Underwood is chairman of this year's SPARC committee.

DSN Co-Hosts Mexico Confab

Retailers Study Opportunities

(Continued from page 1)

Shoesource, J.C. Penney and others were represented as were leading vendors from a cross-section of product categories including: Action Industries, Coca-Cola Foods, Coats & Clark, Darling Store Fixtures, Du Pont, Fruit of the Loom, Goody Products, Intercraft Industries, Manco, Mead School Office Products International, Newell Corp., Sara Lee, Wamsutta/Pacific Home Products, Whirlpool and others.

Some executives said they were using the seminar as a fact-finding mission to get a better grasp of the Mexican retail scene and culture, while others were hoping to expand product distribution and explore opening stores or plants south of the border.

Regardless of individual agendas, attendees left with a working knowledge of: how NAFTA could impact their businesses; the size, scope and forces shaping the Mexican marketplace; foreign trade and tax regulations in Mexico; and both the current status and forecasted future evolution of retail technology in Mexico.

Both retailers and suppliers considering expansion in Mexico were most interested in information on forming partnerships with Mexican companies similar to their own.

Partnerships are believed to be an easier way to enter a foreign market—especially since, for many, this is the first time a move abroad has been considered. And since partnerships were the vehicle of choice for several leading U.S. companies—Price Club's partnership with Comercial Mexicana, Wal-Mart's venture with CIFRA, and most recently, leading U.S. food distributor Fleming Cos.' pact with Grupo Gigante—many wanted more information on partnership logistics.

First-hand exposure to the fruit of retailer partnerships was seen during the tour at the new Club Aurrera store, opened as a joint venture between Mexican retailing conglomerate CIFRA, and Wal-Mart. Also visited were some of the country's largest department stores like Liverpool and Palacio de Hierro. CIFRA's Gran Bazar hypermarket was on the day's agenda as was the Perisur Mall, home to Sears Mexico's upscale department store format, Oshman's sporting goods and a broad selection of smaller department stores and specialty outlets.

Many U.S. brands were not only on the shelves of retailers with U.S. counterparts (Sears, Woolworth and Club Aurerra), but were also found in the larger food and general merchandise stores.

While bilingual packaging guidelines (requiring that importer and exporter information be noted on each package and bilingual descriptions provided) were not being adhered to universally, Mexican shoppers evidently welcomed U.S. products, based on the depth of the stock and the content of consumer shopping carts.

The receptivity to U.S. goods is especially noteworthy in light of what the future holds for the country, including the forecasted population explosion in Mexico, expected to climb by over 20% to 100 million people during the next eight years. This growth, coupled with a projected rise in the economically active people in the country and a steady improvement in foreign investment policies will catch the attention of U.S. retailers weighed down by the millstone of a sluggish domestic economy.

Having explored the retail landscape, executives at the conference spent a day in conference with leading experts on the retail scene. Seminar presentations were made on the trade agreement, Mexican demographics, technology, political differences between the U.S. and Mexico and other pressing topics.

Guest speakers included:

- Ernesto Valenzuela, board member and director of audit services with DRT International's member company, Galaz, Gomez Morfin, Chavero, Yamazaki S.C., with an overview of Mexican retail practices;
- Jose Antonio Morera, chairman of the board of National Retailers Association of Mexico (ANTAD), discussing the services the association provides to its membership;
- Jesus Gonzalez Elizondo, chief executive officer of Salinas y Rocha department stores, talking about how retailing in Mexico has been changing;
- Javier Labrador, partner and tax director with Galaz, Gomez Morfin, Chaverdo, Yamazaki, who spoke on foriegn trade and tax regulation.
- Hal Daub of Deloitte & Touche, who updated attendees on the latest NAFTA talks and provided guidelines on how each manufacturing and retail segment can best capture the attention of their political representatives and insure that the needs of their industry are addressed in the NAFTA negotiations.

VideOcart Shifts to AIX Gateway

CHICAGO — VideOcart Inc. has switched to an IBM RS6000 workstation as the in-store gateway for the interactive shopping carts now being tested by Wal-Mart (see *DSN*, Feb. 17, page 147), Toys "R" Us and some supermarkets.

The vendor made the move because the workstation uses AIX, IBM's Unix operating system, which is more versatile than the DOS operating system running the IBM PS/2 computer that was originally targeted to be the gateway. Wal-Mart, Kmart and a number of other leading merchants have also elected to use Unix as the operating system for all their retail technology.

VideOcart expected to have 70,000 to 75,000 carts in about 500 stores from among a number of retailers by the end of the year. *DSN* incorrectly reported that it would deploy about 7,000 carts.

While Wal-Mart and Toys "R" Us are testing VideOcart, Kmart decided to probe Datatec Industries' ShopperTrak system as its customer tracking technology. Kmart didn't run any formal tests of VideOcart prior to its decision.

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Retailers find coordinate pieces and higher prices are not a deterrent for discount shoppers as the category grows in the discount tier.

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High Technology Products Key to Super Show Intros

By Richard Halverson

ATLANTA — New offerings at this year's Super Show suggest that manufacturers are making a renewed pitch for the mass market by incorporating high technology features once reserved for pro shop golf and tennis gear into equipment priced for discounters.

Moreover, the exercise category is alive and well, if debuts of inexpensive, two-position home exercise equipment were any indication.

Among the new products, training devices for basketball, soccer and tennis appeared to be among the more innovative bits of gear.

And the booming popularity of street hockey prompted a number of new vendors to enter the market and existing vendors to expand their lines.

Northwestern, which already commands the lion's share of discounter golf business, introduced two new products it claims will allow pro shop technology to trickle down to mass market.

One example is its new, oversized titanium boron alloy driver with graphite shaft. Part of Northwestern's new TourSelect line, the driver wholesales for $35 to $40, national sales manager Steve Miller said, compared to $125 to $175 for a comparable pro shop driver.

Another is its milled face putter, said to be flatter than a cast putter, which wholesales for $13 to $15. That compares with a $30 to $40 wholesale on comparable milled face putters designed for pro shops.

In its first diversification outside golf, Northwestern introduced two graphite softball bats. An end-loaded model wholesales for about $60, with a $99 suggested retail, Miller said, while a standard model wholesales for about $45.

In prestrung tennis rackets, Wilson introduced two models for about $50 that incorporate the same technology as its pro shop rackets that sell for about $200.

In golf, Wilson is re-entering the $199 promotional set market with its Pro Power line. In another trickle down example, the sets feature the same type of forged cavity back heads seen on Wilson's Ben Hogan pro shop line selling for $500.

To appeal to tennis buffs, Penn introduced a white (of all colors) Centre Court line of tennis balls intended to retail for $2.99 for a can of three. On the low end, Penn debuted the Medalist in now standard day-glo yellow priced to retail at $1.99 and still produce a "few pennies" of retail profit.

"I like the white nostalgia balls," said Dave Doran tennis buyer for Sports Unlimited, Tampa, Fla. At $2.99 a can, "we can make some money on it," he said, even though it costs 10 cents more than Penn's standard line.

The fastest growing segment of the home exercise category is the two-position, flex home

(Continued on page 14)

Sports Licensed Goods Shine

Licensed Apparel Still Remains Champ at Super Show

By Jill Lettich

ATLANTA — Sports licensed apparel was the defending champion at the recent Super Show here. The exhibition of sporting goods, sports apparel and related products sponsored by the Sporting Goods Manufacturers Association attracted more than 80,000 attendees.

The mood was upbeat, as reports of good January sales at retail filtered through. Basic fleece, patterned bodywear, hiking-style shoes and embroidered baseball caps were mentioned by many retailers as potential winners. Licensed apparel, however, in both men's and children's, was by far the busiest area of the show.

"For some retailers this was the only area that sold last year," said Brian Edington, senior vice president, Logo 7. And there were few signs that it is waning. Edington reported bookings for Logo 7's various licensed lines were five times greater than last year.

Because licensed apparel reaches such a wide range of retail outlets, a number of manufacturers have tailored lines to match particular retail venues and price points. Logo 7 is the brand name for apparel directed to upper-end discounters such as Target; while the company's Logo Athlete line is aimed at upscale retailers.

Chalk Line has approached the market in a similar way. Its Locker Line is for discount customers; Chalk Line goes to the mass market; Stadium Club is the upscale line.

According to Alan Schultz, Chalk Line's vice president of advertising, the licensing arms of the major sports associations were instrumental in aligning their licensees. "The NFL was really the one to take the lead in segmenting the market," he said.

The high level of involvement of the sports organizations was evident at the show.

Sue Koten, director of children's licensing for the National Basketball Association, noted that with last year's introduction of NBA Little Stuff children's line it has become more involved with retailers as it continues expanding. "We had to learn what each channel of retailing required in terms of price points and quality," she said.

The National Hockey League, the smallest of the major sports organizations, will bring licensing responsibilities in house for the first time, according to Ilene Kent, head of the licensing efforts.

The lack of a national television contract for the NHL, and the natural regional limitations of the sport have become a problem. But Kent hopes that new teams in San Jose, Calif., and Tampa, Fla., will broaden its base.

According to Kent, giveaways, POP accessories and other support materials are available to retailers carrying NHL apparel. The sales efforts has even extended to the participation of individual teams. "We now have teams switching to wearing away uniforms during the regular season. This way, fans get used to seeing the colors," she said. The hope is that those same colors will be immediately recognized at retail.

In footwear, hiking shoes were popular for both their functionality and their look.

Sneaker sales were sluggish through most of 1991. The SGMA reported that retail unit sales fell from 393 million to 388 million.

Despite sluggish sales, manufacturers did not skimp at all on their presentations or on new product releases.

Reebok showed its newest double pump shoe, designed for basketball.

L.A. Gear also reported its new marketing campaign would focus on the technical merits of its offerings.

Nike's marketing coup is the exclusive signing of Chicago Bulls superstar Michael Jordan.

Sporting goods specialty stores such as Sports Authority and Sportmart are primed for these introductions. But discounters, in general, have felt the pang of declining sneaker sales.

Many discounters said hiking shoes will carryforward and supplement white sneaker sales, especially in women's.

Casual styles are also giving the men's market a run for its money. SGMA reported 1991 unit sales of men's casual shoes increased 12%.

MARKETWATCH

Kmart Adds B.E. as Own Casualwear

TROY, Mich. — Kmart has unveiled B.E. chainwide as its newest private label line. It's a collection of casual, basic essentials that relies on knit separates with one or two twill pieces to round out the line. The size of the collection will vary beginning with basic tank and T-shirts and knit shorts with twill pieces such as pants and shorts. The line is currently displayed on 15 to 18 circle racks.

Ames Gets Extension For Filing Plan

ROCKY HILL, Conn. — A federal bankruptcy judge has extended Ames' exclusive right to file a reorganization plan to the end of April. The court has also scheduled a mid-March hearing during which Ames and its creditors will report on progress in its reorganization plan negotiations. Sources report that negotiations tensions have been diffused. Ames chief financial officer Peter Thorner remarked on the "businesslike" tone those talks have taken. "The relationships between the various constituencies have been improving," he said. "A successful resolution of the negotiations is in everyone's interest."

Sears' Newest Brand: Goodyear Tires

CHICAGO — Sears next month will start selling Goodyear tires in 850 automotive centers. Sears already sells about 9.5 million tires a year, or 10% of the replacement market, and expects to sell 1.5 million to 2.5 million Goodyear tires a year. If successful, Sears will try to directly secure Goodyear tires for its discount auto chains, Western Auto and Tire America, which now get Goodyear products through diverters. In another mass market development, Kelly Springfield, a Goodyear subsidiary, earlier this year began selling its Douglas house-label tires to Wal-Mart.

Discounters Sales Strong in February

A sampling of discount chains shows that their sales surged in February from the war-depressed sales a year ago. The gains range from 76% at Best Buy to 2% at Ross Stores.

February 1992 Sales Gains

Chain	Sales (In Millions)	% Inc. From '91
Wal-Mart	$3,609	34.0%
Kmart	2,320	9.9
Sears	2,189	3.3
Circuit City	205	35.0
Caldor	117	10.7
ShopKo	104	7.9
Venture	94	15.3
Best Buy	79	76.0
Family Dollar	88	37.0
Consolidated Stores	54	31.2
Ross Stores	53	2.0
Dollar General	50	28.2
Jamesway	45	10.0
Value City	37	18.2
Pic 'N' Save	33	3.4
Clothestime	17	17.0
Value Merchants	14	60.5
50-Off Stores	9	52.0

Source: Company reports

FOR THE RECORD

DSN's story on electronic retailing (March 2, page 6) included incorrect estimates on Prodigy's revenues and losses last year. Prodigy's estimated revenues are $115 million, $100 million from membership fees and $15 million from advertisers. Its loss is estimated at about $30 million, putting it close to the company's projected break-even point. Sale of merchandise, however, has fallen short of Prodigy's business plan and it has been revised to include introduction of new services at higher fees to compensate for the low sale of merchandise.

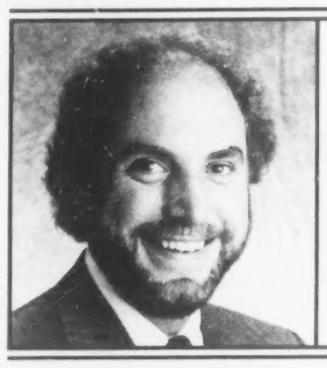
EDITORIAL

Crossing the Border For U.S. Business

You still can't drink the water or eat some of the fresh fruit or breathe comfortably, particularly on a level 3 pollution alert day. The traffic is horrendous, the taxis are uncomfortable, and the poverty is glaring. Most Americans don't know who the president of Mexico is, yet most Mexicans are well-informed about American politics.

But regardless of social, economic and political differences, there are also many similarities, including a demographic profile that is a marketer's delight. There is definitely opportunity for growth—limited in some cases—for U.S. companies south of the border. That's the conclusion of over 75 executives from top U.S. retailers and consumer products companies who attended a timely two-day conference co-sponsored by *DSN* and Deloitte & Touche last month in Mexico City at the same time the NAFTA Agreement was being negotiated in Dallas (see page 1).

Furthermore, there is a much stronger spirit of cooperation—and certainly a much stronger need—for a free trade agreement in Mexico than in Japan.



TONY LISANTI
Editor

Consider these recent ventures by U.S. firms in Mexico:

- Wal-Mart and CIFRA have already opened two Club Aurerra's in Mexico City with plans for two more in 1992;
- Price Club and Comercial Mexicana have opened one Price Club de Mexico in Mexico City with plans for 12 by 1995;
- Food distributor Fleming has joined forces with Gigante;
- Corning and Vitro, Sociedad Anonima agreed to create a worldwide housewares business;
- Rubbermaid acquired CIPSA, a manufacturer of plastic housewares.

It took Toys "R" Us almost two years to open in Japan last December, giving some U.S. toy suppliers entry there. Yet, despite breakthroughs in free trade with Japan, since TRU no other major retailers or suppliers have formed partnerships with Japanese companies.

Ironically, while some criticism has been voiced about NAFTA—particularly regarding the loss of manufacturing jobs to Mexico—the reality is that if U.S. companies don't jump at the opportunity to expand, Japanese firms will quickly dominate the 13th largest nation with 86 million people.

BUYERS & SELLERS

To Shoppers, Discounting Crosses Boundaries

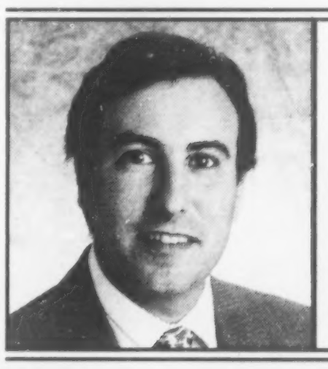
After more than 30 years of history, discounting is still an emerging retail phenomenon in the United States. The exclusive consumer research study in this issue of *DSN* (see page 31) shows that discounting is driven by the largest spending U.S. households and is growing in a variety of forms as distribution technology continues to improve.

One of the key findings of this study is that consumers do not draw the same lines as the trade does between discounters and non-discounters. For the consumer, a merchandise category is a discount offering when its pricing reaches a threshold that is regarded as "discounted from" or less than the intended price. As far as the consumer is concerned, discounting can occur—and is welcomed—in any retail setting, including conventional department stores.

This blurring of the distinctions between the various forms of retailing has been going on for years. Discounters have expanded into convenience foods; supermarkets carry more general merchandise; warehouse clubs, hypermarkets and supercenters sell food and general merchandise; specialty stores combine discount pricing with the assortment and selection of full-price outlets; deep discount drug stores can compete with general merchandise discounters in price and selection in selected product categories; etc.

This study rocks the traditional way of looking at retail channels. It will help retailers and suppliers understand the differences in how consumers view different stores, as well as show them the demographic characteristics of shoppers attracted to each of the major retail channels by product category. A retailer can be perceived as a discounter in one category of goods, but not in another.

I think this is the most informative study ever published by *DSN* or any retail trade publication. The data published here is just the tip of the iceberg in terms of the reams of information *DSN* has gleamed from the nearly 2,000 heads of U.S. households interviewed by Leo J. Shapiro & Associates between November 1991 and January 1992. For more detailed information, please fax me a note at (212) 756-5125.



DON LONGO
Exec Editor

TAKING STOCK

Tracking Shopper Traffic May Improve Service

The array of technology applications now available to retailers has resulted in merchants being able to explore different systems designed to accomplish similar goals while also gaining distinct additional benefits.

A case in point: tracking shopper traffic throughout a store to provide better customer service.

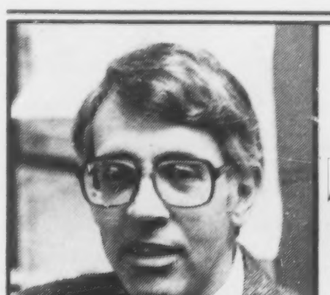
Kmart's technology test is Datatec Industries' ShopperTrak, while Wal-Mart's is VideOcart Inc.'s VideOcart. Each retailer is now monitoring shopper traffic and matching this information to sales data to fully profit from the technology.

ShopperTrak is a low cost, passive system that doesn't require customers to do anything special. But its core technology can't be used for other marketing purposes.

VideOcart, however, is a more expensive but more versatile technology that requires some action on the part of a customer: picking a shopping cart that has an attached VideOcart interactive display terminal. Failure to use a VideOcart-equipped cart negates the technology (and Wal-Mart's test).

Besides tracking shoppers, VideOcart's core uses include showing a map of the store and indicating where a shopper is, and displaying ads and special offers as a cart passes designated items to promote sales. Two other features (which Wal-Mart isn't currently testing) are a card reader for frequent shopping programs and for target marketing promotions to specific shoppers, and electronic couponing whereby coupons are stored electronically and credited at the checkout. (Wal-Mart, however, has devised some unique uses that it's probing).

Kmart is testing interactive terminals to obtain some VideOcart benefits that don't accrue to it from ShopperTrak. The retailer, in effect, picked a focused shopper tracking system with a low cost/risk factor and went to other technologies for other uses. Wal-Mart chose one system with a higher cost/risk factor that offers much more benefits and greater customer service.



ARTHUR MARKOWITZ
Senior Editor

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Cable Address: LEBHAFRIED
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Discounter share of apparel

During the past year nearly nine out of 10 consumers—86 percent—have shopped in discount department stores, and according to a recently released study conducted by Leo J. Shapiro and Associates, a lot of them were purchasing apparel.

In fact, the study, which is based on a nationally representative sampling of more than 1,700 heads of households, indicates that discounters dominate certain apparel categories.

The most obvious case in point is children's wear. Consumers report that just about half, 48 percent, of their children's apparel expenditures are made at operations they describe as discount stores.

The South is apparently the discounting land of plenty. The respondents from that region report that 51 percent of their children's wear purchases were made at discounters. Discounters in the North Central states received 49 percent of consumer children's wear dollars, while these kinds of stores garnered a 48 percent share in the West and a 44 percent share in the Northeast region.

Consumers don't only purchase their kids clothing at discount stores, they also spend significant amounts on themselves in these outlets. According to respondents, who were queried between November and January, discounters attract a 35 percent share of women's wear dollars.

Young shoppers from 21 to 34 spend the largest portion of their women's wear dollars at discounters—40%. Consumers in the 35- to 54-year-old group spend 37 percent of their women's wear dollars at discounters, while the 55 and up population says 27 percent of their women's clothing expenditures go to discount stores.

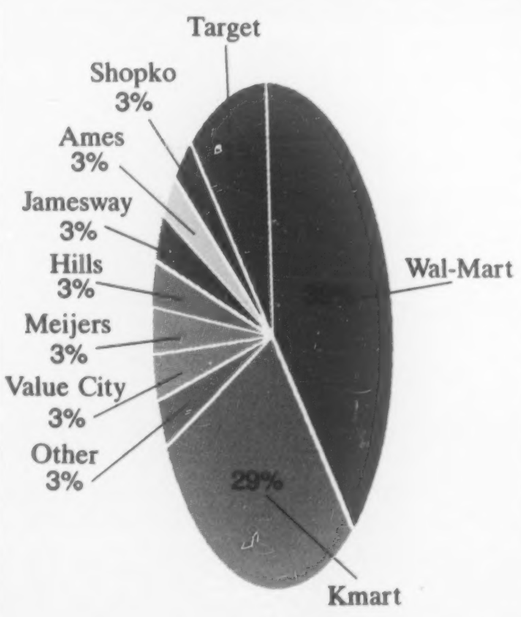
Considering that most discount stores don't carry tailored clothing, and stock dress furnishing in only a limited fashion, it is not surprising that men's wear shoppers spend less at these outlets. Consumers report that three in 10 of their men's wear dollars are spent in the discount tier.

Discount stores obtain their greatest share of dollars for apparel in all three categories—men's, women's and children's—from consumers who tend to be young, fall into lower income groups and generate most of their household funds from the salary of a blue collar worker.

Children's wear

Wal-Mart is the Winner

(Where did you make your last apparel purchase?*)



*Based on on household heads who made their last children's wear purchase at a discount department store. Does not include off-price operations.

Consumers spend almost half, 48%, of their children's wear dollars at discounters

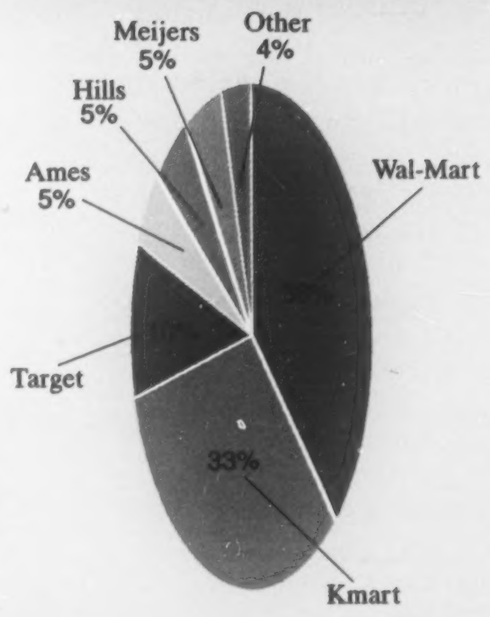
(What proportion of your household's children's wear expenditures are made at discount stores?)

	Discounter's share of children's apparel dollars
TOTAL	**48%**
AGE	
21-34	51%
35-54	47%
55+	43%
INCOME	
Under $30K	55%
$30K-$49K	50%
$50K+	37%
HOUSEHOLD SIZE	
1 person	33%
2-3 people	47%
4+ people	51%
EDUCATION	
High school or less	45%
Some college	52%
College graduate	52%
OCCUPATION OF HOUSEHOLD HEAD	
Management/ Professional	42%
White collar	62%
Blue collar	46%

Women's wear

Wal-Mart edges out the pack

(Where did you make your last apparel purchase?*)



*Based on on household heads who made their last women's wear purchase at a discount department store.

A significant share, 43%, of white collar worker's women's wear dollars are spent at discounters.

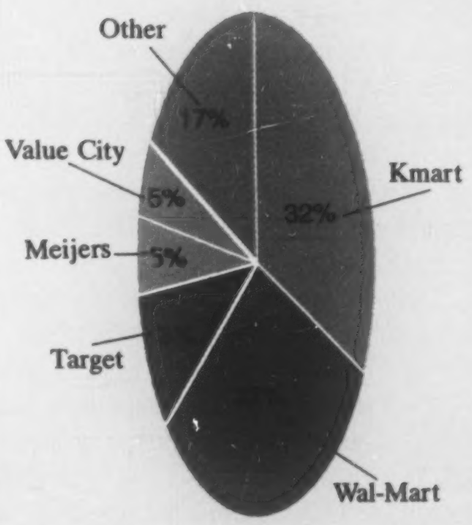
(What proportion of your household's women's wear expenditures are made at discount stores?)

	Discounter's share of women's apparel dollars
TOTAL	**35%**
AGE	
21-34	40%
35-54	37%
55+	27%
INCOME	
Under $30K	43%
$30K-$49K	33%
$50K+	33%
HOUSEHOLD SIZE	
1 person	30%
2-3 people	37%
4+ people	35%
EDUCATION	
High school or less	34%
Some college	37%
College graduate	36%
OCCUPATION OF HOUSEHOLD HEAD	
Management/ Professional	31%
White collar	43%
Blue collar	39%

Men's wear

Kmart and Wal-Mart are neck-and-neck

(Where did you make your last apparel purchase?*)



*Based on on household heads who made their last men's wear purchase at a discount department store.

Discounter's garner about a third, 30%, men's wear expenditures

(What proportion of your household's men's wear expenditures are made at discount stores?)

	Discounter's share of men's apparel dollars
TOTAL	**30%**
AGE	
21-34	34%
35-54	30%
55+	23%
INCOME	
Under $30K	46%
$30K-$49K	33%
$50K+	22%
HOUSEHOLD SIZE	
1 person	36%
2-3 people	27%
4+ people	33%
EDUCATION	
High school or less	29%
Some college	35%
College graduate	33%
OCCUPATION OF HOUSEHOLD HEAD	
Management/ Professional	19%
White collar	28%
Blue collar	34%

Source: Leo J. Shapiro and Associates.

Discount Barriers Crashing Down

Consumer Buying Study Shows that Specialty Discount Stores and Hybrid Concepts are Closing the Gap Between All Retail Segments

At one time everyone knew the difference between a discount store, a drugstore, a supermarket, a department store, as well as a specialty store.

Today, with the advent of new specialty discount stores and hybrid concepts that combine aspects of the aforementioned traditional retail channels, the boundaries between the myriad types of retail concepts are crashing.

A new study on consumer buying behavior, conducted by Leo J. Shapiro & Associates for *DSN*, documents today's blurring of retailing. The study, conducted by the venerable Chicago-based research firm, also reveals discount stores' market share in 15 major product categories and identifies key demographic characteristics of discount store shoppers in each of those categories.

Discount retailers encompass a group of outlets that includes, but is not limited to, discount department stores, specialty discount stores, and membership warehouse clubs.

However, the definition of a discount store expands, at least in consumers' minds, depending upon the type of product the shopper is thinking of purchasing. When buying clothing, for example, off-price apparel retailers and manufacturers' outlets are discount retailers, according to consumers.

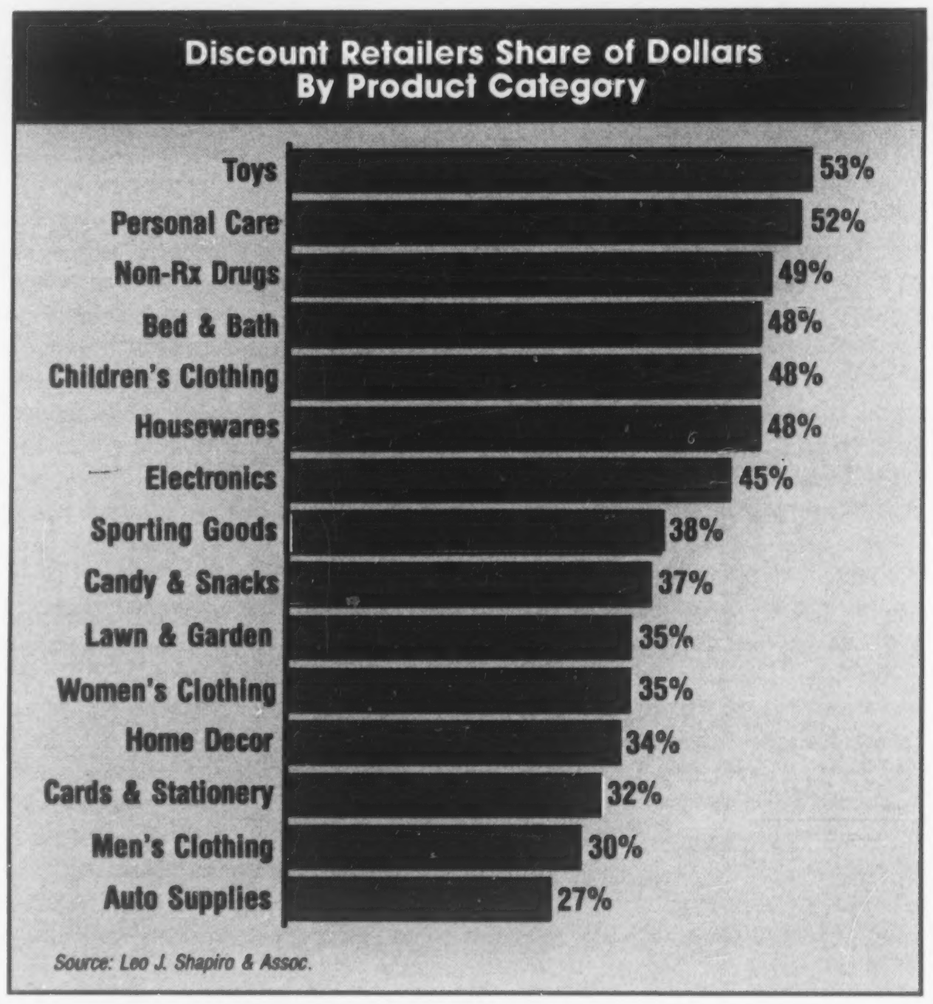
When buying home or personal electronics, a very high 19% of consumers view full-price department stores as discounters. In the same category, Sears, which has a high profile as a discounter in men's apparel, is seen as an electronics discounter by only 4% of consumers.

Of course, there is no question that many stores are almost universally considered discount retailers by consumers. Wal-Mart and Kmart, the two largest retailers in the United States, as well as Target, are all recognized as discount retailers by the U.S. population. Warehouse clubs and vendor outlet stores are considered discount retailers by more than 90% of consumers.

However, in addition to one in five consumers buying home electronics from a full-price department store describing that store as a discount retailer, about 10% of those buying bed & bath, children's and men's wear called the traditional full-price department store a discounter.

Another example of blurring: More than 90% of consumers recognize deep discount drug chains like Phar-Mor, Drug Emporium and F&M as discounters, and nearly half described conventional drug store chains like Walgreens as a discount store when they purchase such items as personal care products and non-prescription medicine.

A couple of surprises in toys and electronics: only 40% of consumers buying toys described Toys "R" Us as a discounter (despite its everyday low prices) and only 58% defined Circuit City as a discounter. Apparently, consumers are less inclined to think of a store as a discounter if it carries a wide selection of merchandise.



Because the definition of a discounter can vary by product category, consumers' mixed view of a full-price department store offers some potentially important competitive points. Department stores' relatively high perception among consumers as a discounter of home electronics goods can be traced to changes in the way that the retail channel now merchandises the category. For the department stores that are still in electronics, the new strategy is narrow selection and blow out prices. "The competitive potential of their strategy remains to be discovered as more becomes known about the appeal of shopping in a mixed [discount and full-price] environment," noted George Rosenbaum, president of Leo J. Shapiro & Assoc.

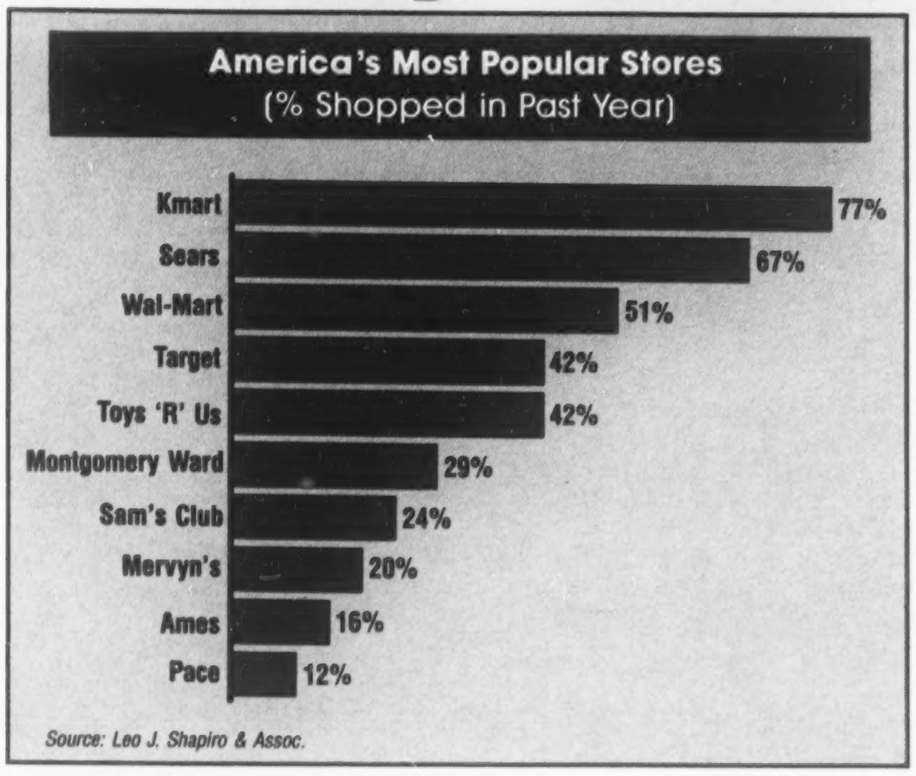
"Department stores have a long tradition to draw on if they pursue this [discounting] direction by going back to their main floor and budget basement merchandising experience," he added.

Sears, despite its overhaul to be more competitive on an everyday basis with discount stores, is defined as a full-price retailer by consumers almost as often as department stores. In electronics, i.e., Brand Central, just 4% of consumers consider Sears a discounter, fewer than for department stores.

(Continued on page 35)

1992 CONSUMER BUYING STUDY

Study: Discounting Pervasive in Retailing



(Continued from page 33)

Rosenbaum attributes the blurring of definitions between discounters and full-price stores as partly a consequence of consumers' deep involvement with both types of retailing. For example, 88% have shopped at a conventional department store in the past year and 86% have shopped at a discount department store. Moreover, consumers increasingly experience a variety of channels of discount shopping.

In the past year, nearly two in three consumers have shopped at a discount drug store, nearly half at a warehouse club, 43% at a vendor outlet store, and 22% at a catalog showroom. Nearly two-thirds within the past year have visited an off-price apparel store. And, as conventional retailers, such as department stores and drug stores, act to meet price competition in selected merchandise categories, they effectively become identified as a discounter by the consumer.

Since competition varies greatly by product category, traditional ways of looking at market share are less apt to be useful in today's retail landscape. Clearly, the better way is to examine market strength by product category.

Discount department stores are attracting more than one-third of store visits for children's clothing, bed & bath products and housewares, but fewer than 20% of trips for non-prescription drugs, cards & stationery, hardware & home decor and auto supplies.

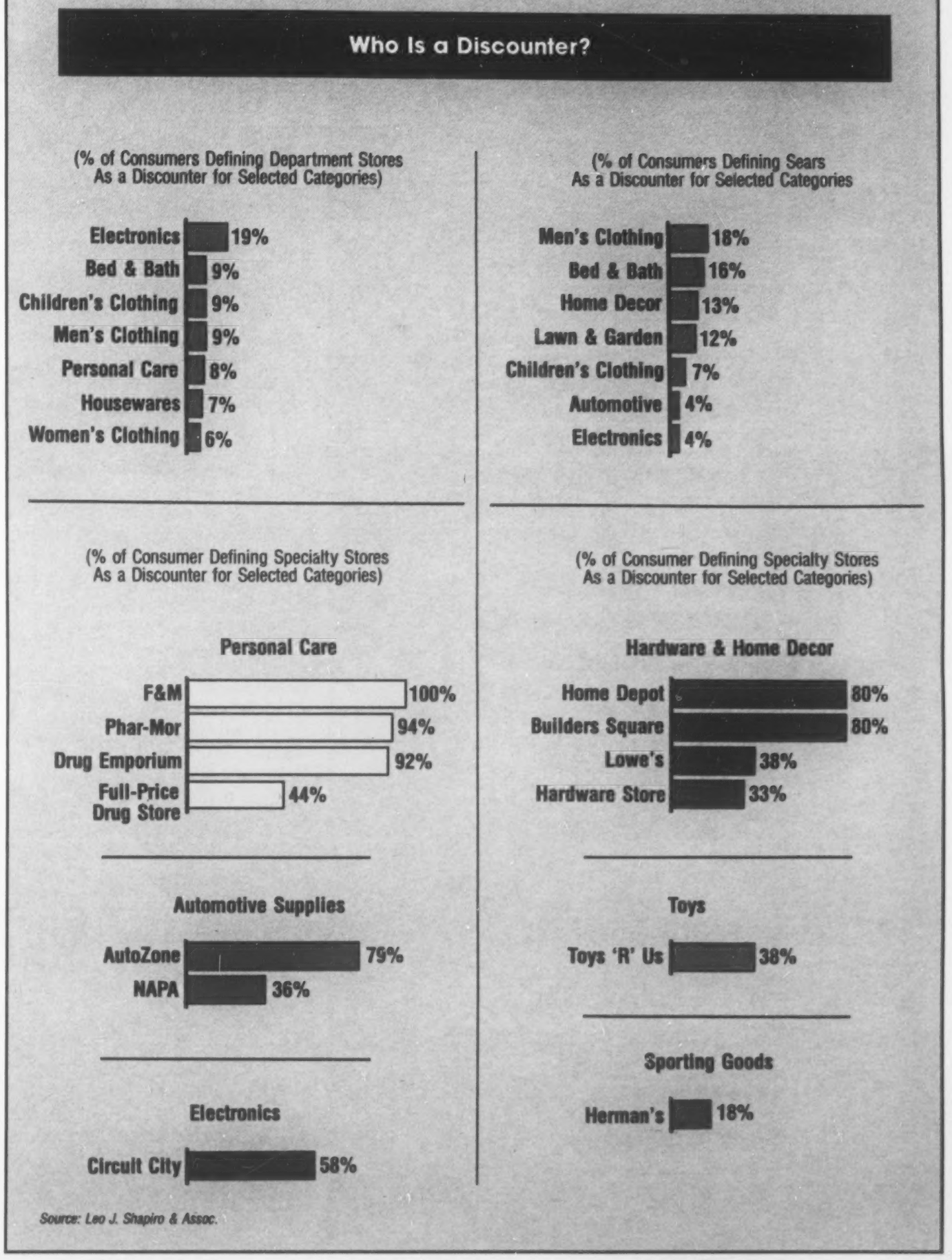
Warehouse clubs' greatest strengths are in electronics, housewares, candy & snacks, and personal care products.

Methodology

This comprehensive study on discount buying in the United States is based on interviews with 1,712 households, projectable to all continental U.S. households who are telephone subscribers. Conducted by phone between November 1991 and January 1992, the survey examines purchasing for 15 product categories commonly sold in discount stores.

For each category, households estimated their annual expenditures and the proportion of their spending done at discount retailers. Consumers also reported the store at which they made their most recent purchase in each merchandise category. When the store was named, consumers were asked whether or not it is a discount store.

The sample was designed to provide a base of users for each category ranging from 325 to 1,200. At the higher end of this range, sampling error is 3%; at the lower end, 6%.



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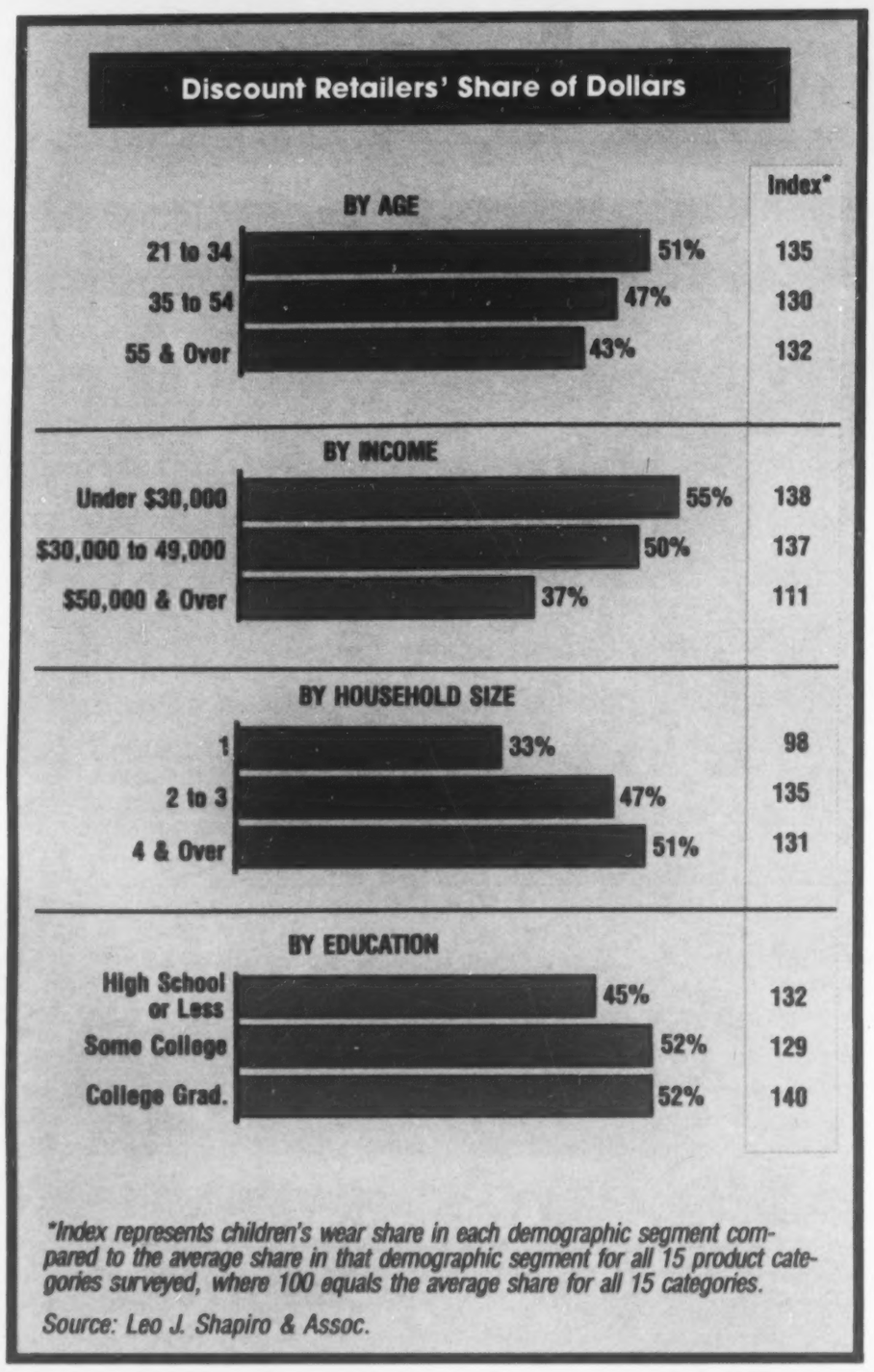
1992 CONSUMER BUYING STUDY



*Index represents children's wear share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

CHILDREN'S WEAR

Shoppers of All Incomes, Backgrounds Look To Discounters for Kids' Clothing Bargains

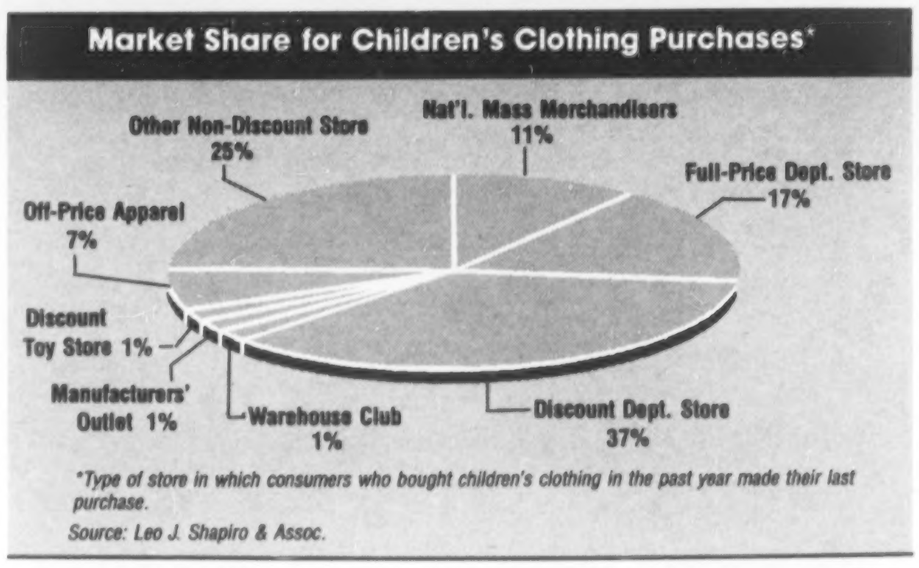
Discount stores are the place to shop for children's wear. A full 48% of dollars spent in the category were spent in stores that consumers view as discount outlets.

Consequently, discount department stores captured the largest share of consumers' last children's clothing purchases (37%), followed by full-price department stores (17%), national mass merchandisers (11%) and off-pricers (7%).

It seems that the hunt for a children's wear bargain transcends income, age and educational levels, as well.

The demographics of the children's wear shopper fall well into the standard of the discount store customer. However, a significant number of respondents had higher income and educational levels than those generally attributed to discount shoppers.

Of all the survey respondents who purchased their last article of children's clothing at a discount department store, 44% were between the ages of 21 and 34, with another 40% falling between the ages of 35 and 54.



*Type of store in which consumers who bought children's clothing in the past year made their last purchase.

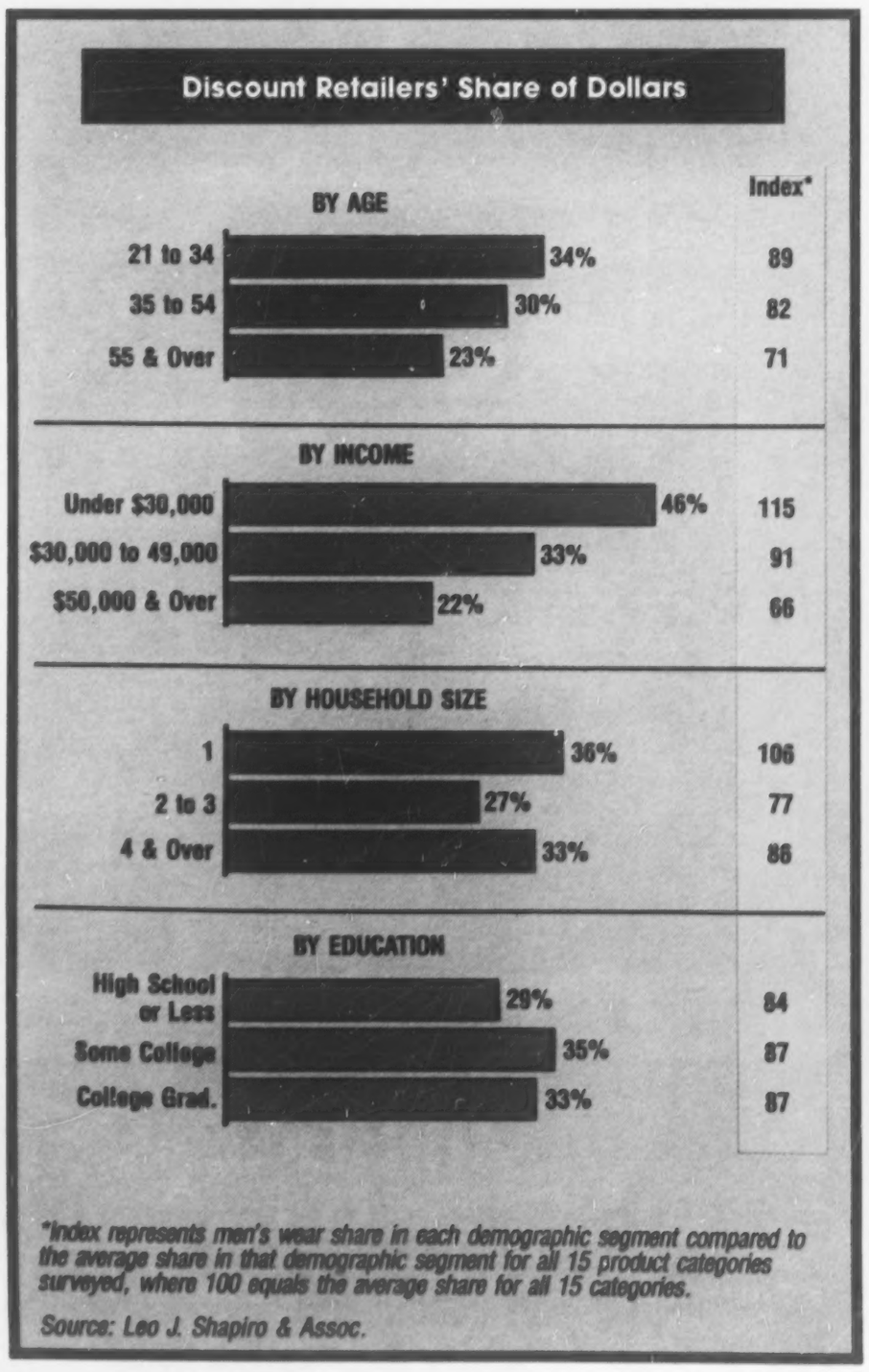
Source: Leo J. Shapiro & Assoc.

A full 49% of all those who made their last children's wear purchase at a discount department store earned under $30,000. However, another 34% claimed incomes of between $30,000 and $50,000.

In addition, 53% had a high school education or less; but another significant number, 47%, reported that they had some college education or were college graduates. Additionally, 49% of respondents had a household that was comprised of 4 or more persons.

Respondents in the higher income and educational tiers were the ones who were most likely to buy in off-price and specialty stores.

While retailers such as Kids "R" Us (3%), T.J. Maxx (2%) and Marshall's (1%) were named by shoppers as stores in which they made their last purchase of children's clothing, the full-line discounters were by far the more frequently mentioned, led by Wal-Mart (14%), Kmart (10%) and Target (4%).



*Index represents men's wear share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

MEN'S WEAR

Discounters Remain Weak as Consumers Turn to Specialty Stores for Men's Clothes

Among the 15 product categories surveyed, men's wear was the hardest sell for discount stores. Men's wear scored lowest in consumer dollars spent for the category at discount stores.

Discount retailers, as defined by the consumer, garnered only a 30% share of all dollars spent on men's clothing.

The survey found that 22% of the consumers who purchased men's apparel in the past year made their last purchase at a discount department store, the same percentage that made their last purchase at full-price department stores.

However, 39% of men's wear purchasers made their last buy in other non-discount stores, primarily full-price specialty stores. And 10% of those who purchased men's wear in the past year made their last purchase at a national mass merchandiser such as Sears, Montgomery Ward or Mervyn's.

On a chain basis, both Kmart and Wal-Mart attracted 7% of consumers who bought men's wear in the past year, followed by Sears (5%).

*Type of store in which consumers who bought men's clothing in the past year made their last purchase.

Source: Leo J. Shapiro & Assoc.

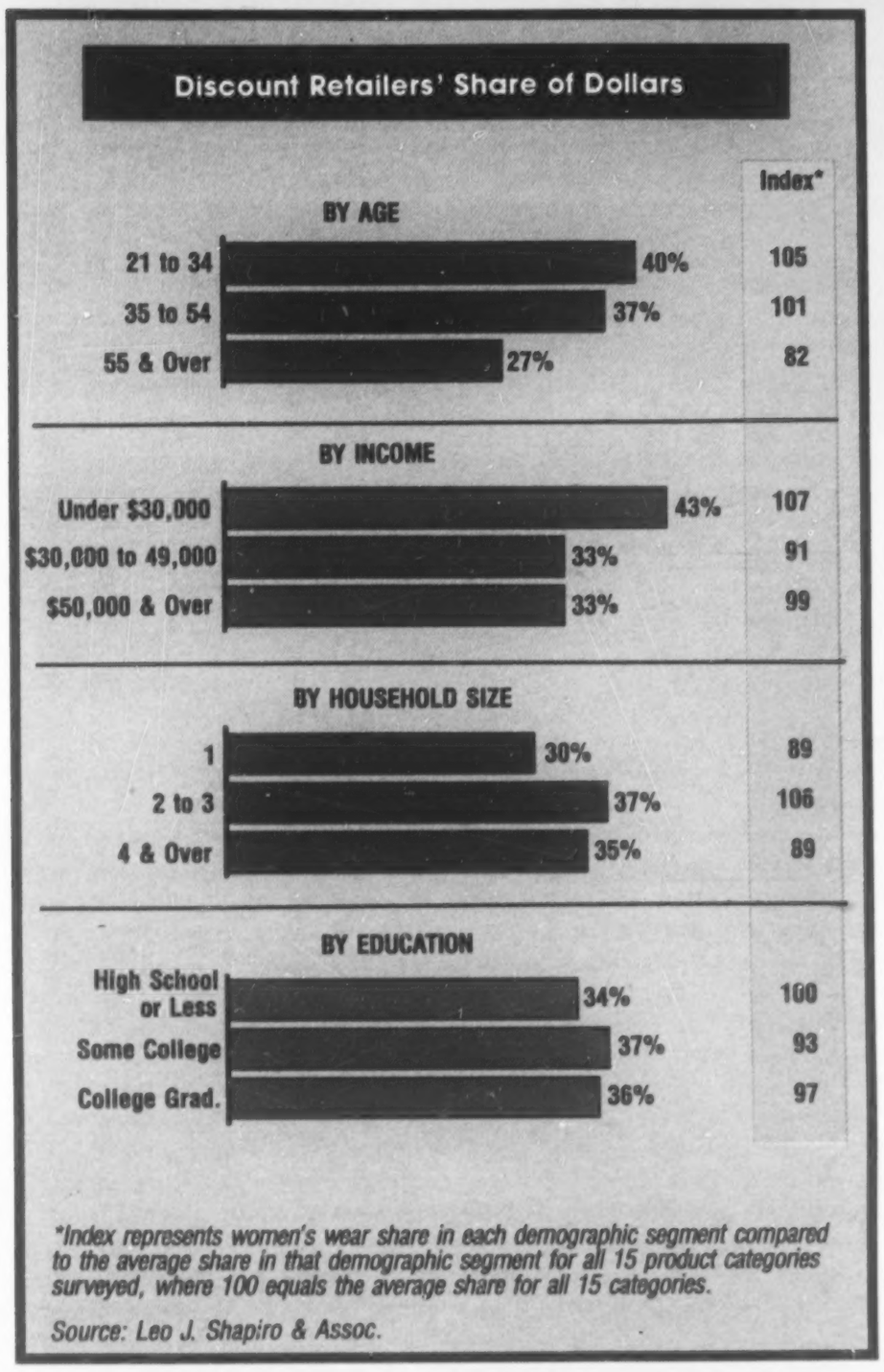
In general, in comparison to women's and children's wear, fewer shoppers reported making their last men's wear purchase at a discount clothing store or at an off-pricer.

According to the survey results, the discount men's wear shopper is more likely to be between the ages of 21 and 34 with an income of less than $30,000. Though a higher percentage of shoppers had some college education, most were in blue collar jobs.

Surprisingly, discount stores in the Northeast—discounters as defined by consumers—captured the largest share of men's wear dollars.

The discounters in the Northeast had a 32% share of all the consumer dollars that were spent on men's clothing. This number was higher than those for both children's clothing and women's wear in the region.

Western consumers spent the least of their men's wear dollars at stores that they consider to be discounters.


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 40% 105
35 to 54 37% 101
55 & Over 27% 82
BY INCOME
Under $30,000 43% 107
$30,000 to 49,000 33% 91
$50,000 & Over 33% 99
BY HOUSEHOLD SIZE
1 30% 89
2 to 3 37% 106
4 & Over 35% 89
BY EDUCATION
High School or Less 34% 100
Some College 37% 93
College Grad. 36% 97
*Index represents women's wear share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

WOMEN'S WEAR

Off-Pricers, Manufacturer Outlets Are Big Winners With U.S. Women

Specialty discount clothing stores, like off-price apparel chains, had their strongest showing in the women's wear category.

Ten percent of all respondents said they made their last women's wear purchase at an off-pricer. This was better than reported for either men's or children's wear. Also receiving a boost was manufacturers' outlet stores. Though only 2% of consumers said they made their last purchase of women's wear at an outlet store, that figure was better than the manufacturers' outlet stores showing in either men's or children's apparel.

The trend to off-price chains like T.J. Maxx and Marshalls was especially prevalent in the Northeast, where 15% of shoppers said they made their last women's wear purchase in an off-pricer and 3% who named a manufacturer outlet.

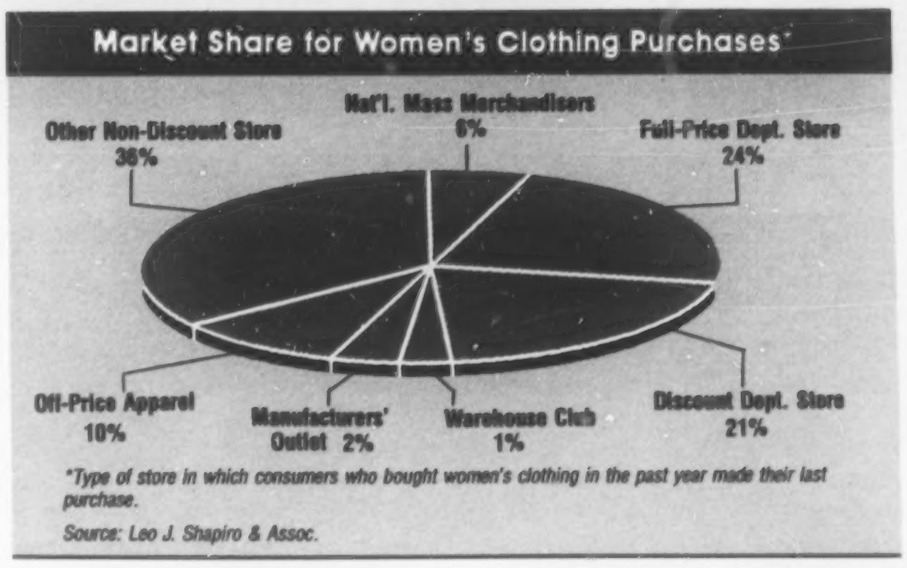
Overall, 35% of all women's wear dollars are spent in stores that consumers defined as discount retailers.

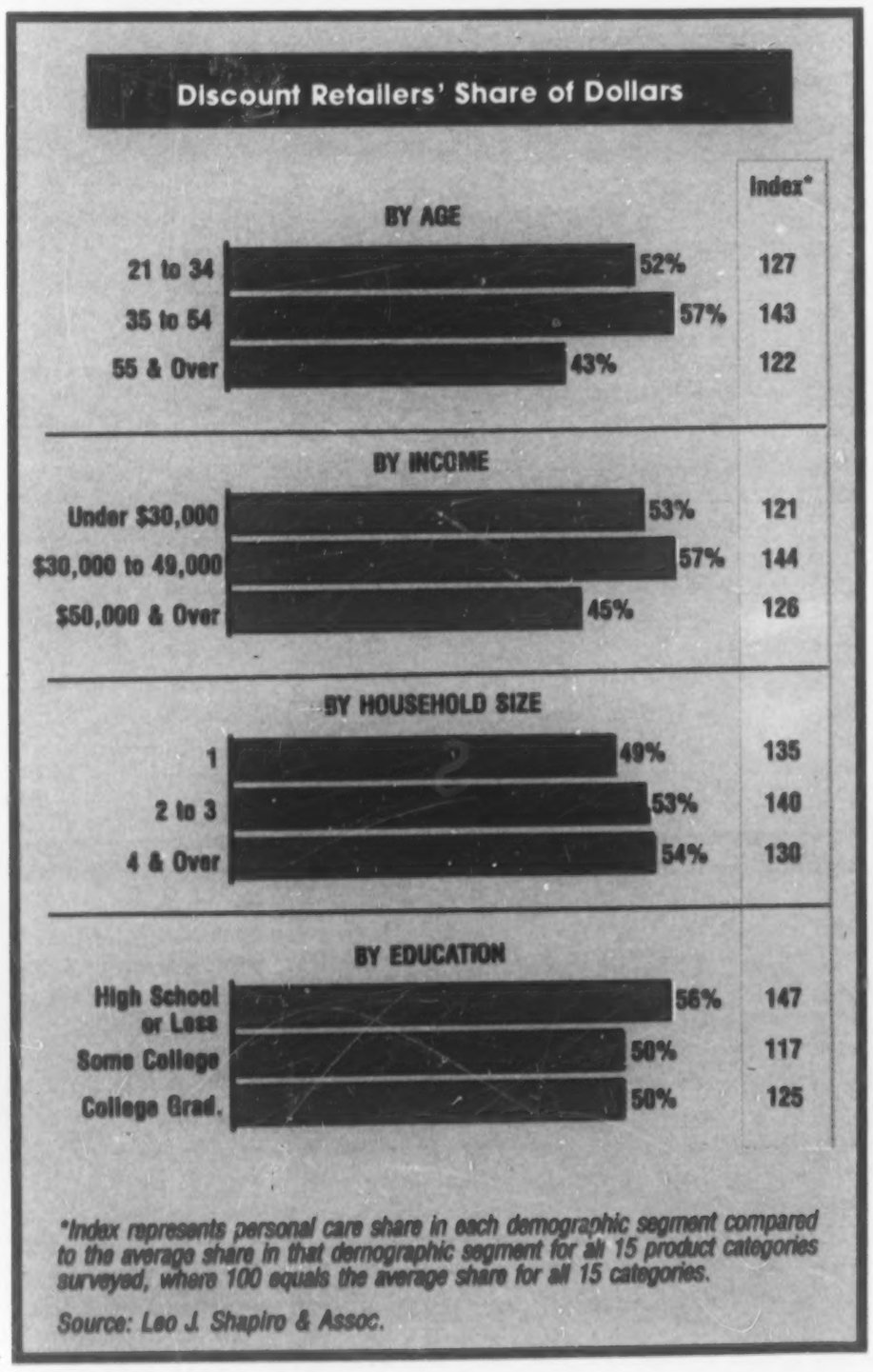
When asked about their last purchase, 21% shopped a discount department store; and 24% shopped a full-price department store. Full-price department stores fared better in the women's wear category than other apparel areas.

The demographics of shoppers varied when comparing discount department stores and off-pricers.

Of customers that last purchased women's wear at a discount store, 45% were between the ages of 21 and 34. Income levels of under $30,000 were reported by 63% of the discount department store shoppers, who also were less likely to have an education beyond high school and more likely to hold a blue collar job.

As expected, the demographics for off-price clothing stores skew higher in age, income and education levels. A full 54% of those who made their last purchase in an off-pricer were between the ages of 35 and 54; 42% had an income of between $30,000 and $50,000; 45% were college graduates; 27% reported they were in a management/professional occupation.


Market Share for Women's Clothing Purchases*
Other Non-Discount Store 36%
Nat'l. Mass Merchandisers 6%
Full-Price Dept. Store 24%
Off-Price Apparel 10%
Manufacturers' Outlet 2%
Warehouse Club 1%
Discount Dept. Store 21%
*Type of store in which consumers who bought women's clothing in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 52% 127
35 to 54 57% 143
55 & Over 43% 122
BY INCOME
Under $30,000 53% 121
$30,000 to 49,000 57% 144
$50,000 & Over 45% 126
BY HOUSEHOLD SIZE
1 49% 135
2 to 3 53% 140
4 & Over 54% 130
BY EDUCATION
High School or Less 56% 147
Some College 50% 117
College Grad. 50% 125
*Index represents personal care share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

PERSONAL CARE

Discount Department Stores Dominate Market Share, Demographic Appeal

Personal care products are one of the discount industry's most powerful departments.

Consumers estimated they spent more than five out of every ten personal care dollars at "a store that sells at a discount."

In contrast, discounters garnered less than $4 out of $10, on average, of the total amount spent on 15 product categories for this study.

More than one-fourth of all consumers identified a full-line discount department store as where they made their last personal care purchase. Over 40% named a store that would be classified as some form of discount retailer as the place they made their last purchase.

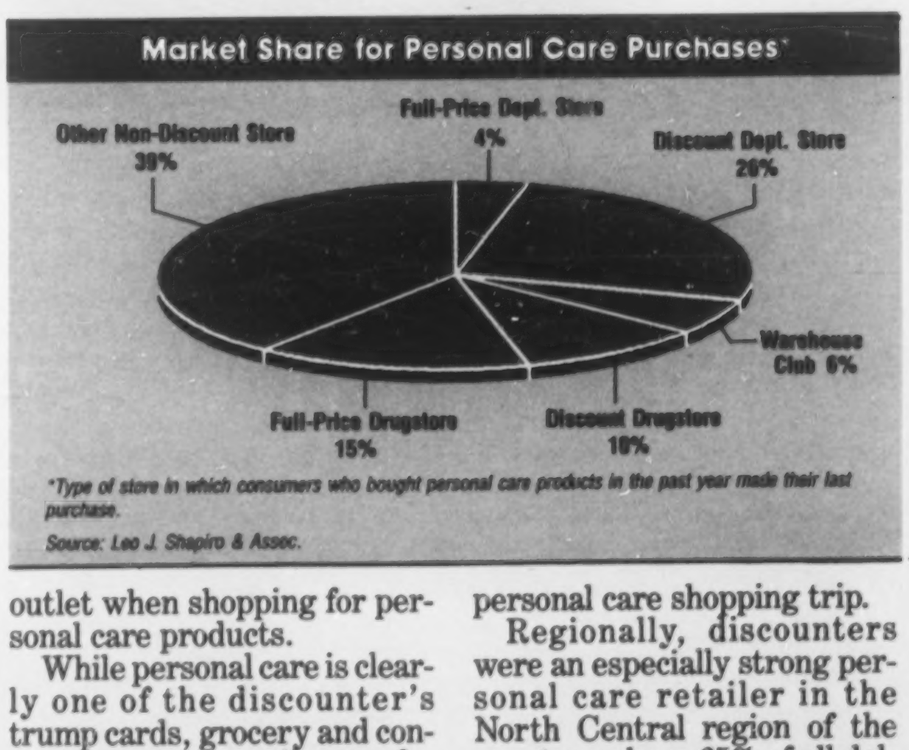
Discounters, as defined by consumers, captured more demographic groups for the category than was the average for all 15 departments researched.

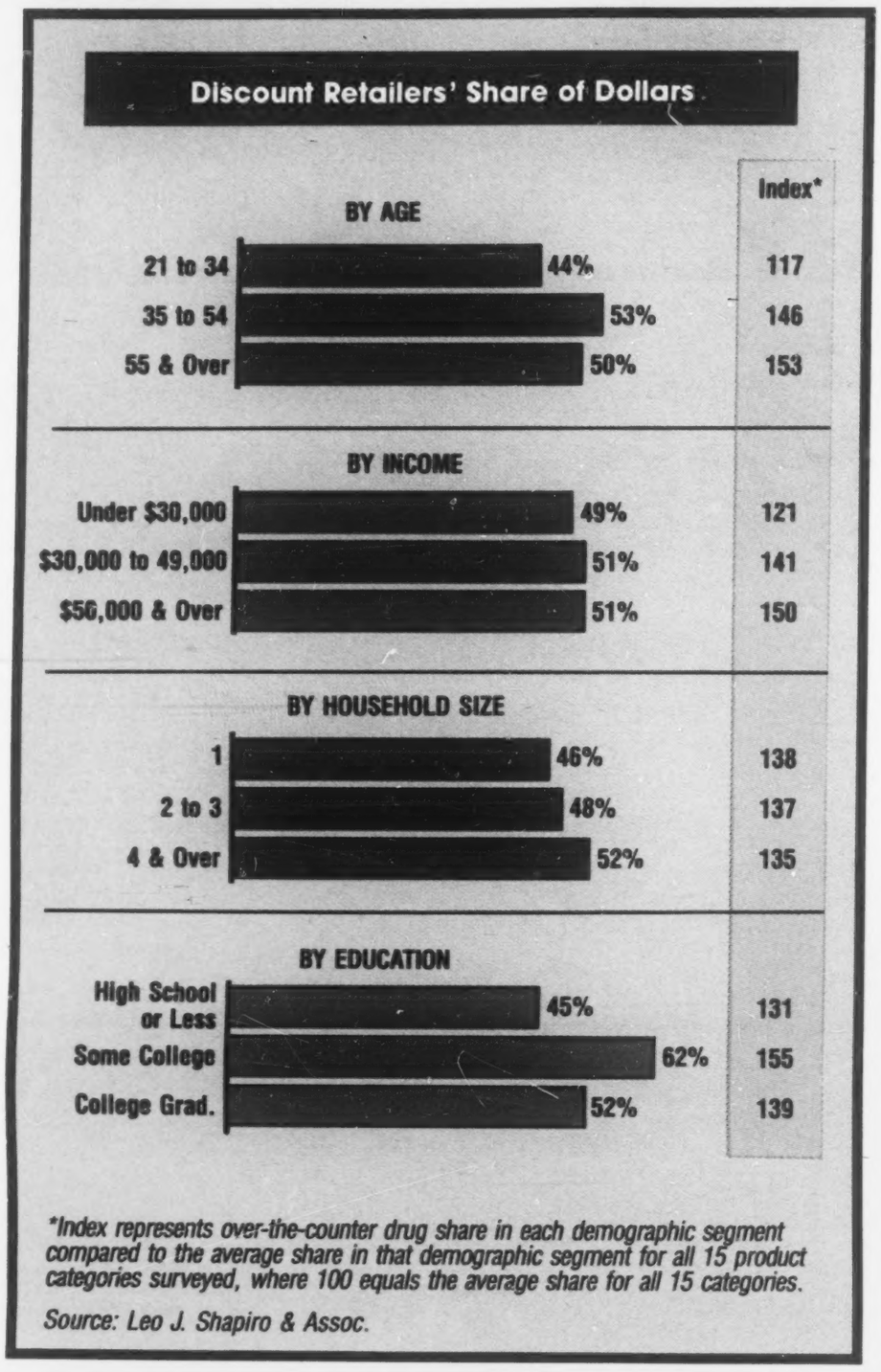
Individuals aged 35 to 54, those earning between $30,000 and $49,000 and people with no more than a high school level were drawn to some type of discount store outlet when shopping for personal care products.

While personal care is clearly one of the discounter's trump cards, grocery and convenience store retailers as defined by consumers were better at capturing the high-consumption 35 to 54 age group than full-line discounters (based on where they made their last purchase). Grocery/convenience stores were visited nearly twice as often as discounters among consumers earning $50,000 or more during their last personal care shopping trip.

Regionally, discounters were an especially strong personal care retailer in the North Central region of the country, where 65% of all dollars spent on the category went into discounter cash registers, far above the 41% average for all other categories sold in that region.

The relatively small and immature discount drug store industry was mentioned by one out of 10 people as being the store where they made their last personal care purchase.


Market Share for Personal Care Purchases*
Other Non-Discount Store 39%
Full-Price Dept. Store 4%
Discount Dept. Store 26%
Warehouse Club 6%
Full-Price Drugstore 15%
Discount Drugstore 10%
*Type of store in which consumers who bought personal care products in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.



*Index represents over-the-counter drug share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

OVER-THE-COUNTER DRUGS

Drug Stores and Discounters Dominate Non-Prescription Drug Sales

Discount merchants—discount stores, membership warehouses and discount drugstores—account for four of every 10 dollars spent for over-the-counter drugs.

That figure puts discounters behind full-price drugstores, which, as expected, hold the largest share, 42%, of the non-prescription medicine market, with supermarkets and convenience stores retaining the remaining 17% share.

But the purchasing disparity is greater than these statistics indicate. When consumers shop in a full-priced drugstore or supermarket, the chances are much greater that they will do so for OTC drugs than for any other general merchandise. The likelihood isn't as marked when examining buying patterns in discount retailers.

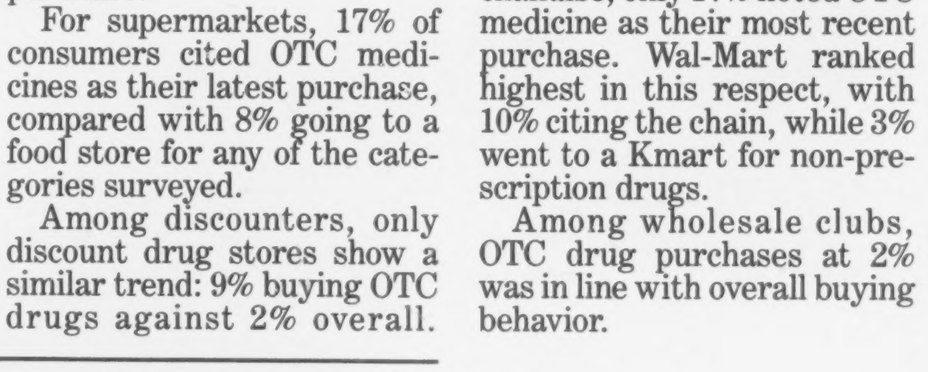
Full-priced drugstores accounted for 42% of shoppers' most recent purchase of non-prescription drugs, while only 7% of consumers visited these retailers on their most recent shopping trip. OTC medicine was the overwhelming draw for local drugstores, with 29% of consumers buying this merchandise on their last visit, against the 4% that bought any of the 15 products surveyed as their most recent purchase.

For supermarkets, 17% of consumers cited OTC medicines as their latest purchase, compared with 8% going to a food store for any of the categories surveyed.

Among discounters, only discount drug stores show a similar trend: 9% buying OTC drugs against 2% overall. Phar-Mor ranked highest with 5% purchasing this merchandise vs. a miniscule 1% shopping this retailer overall.

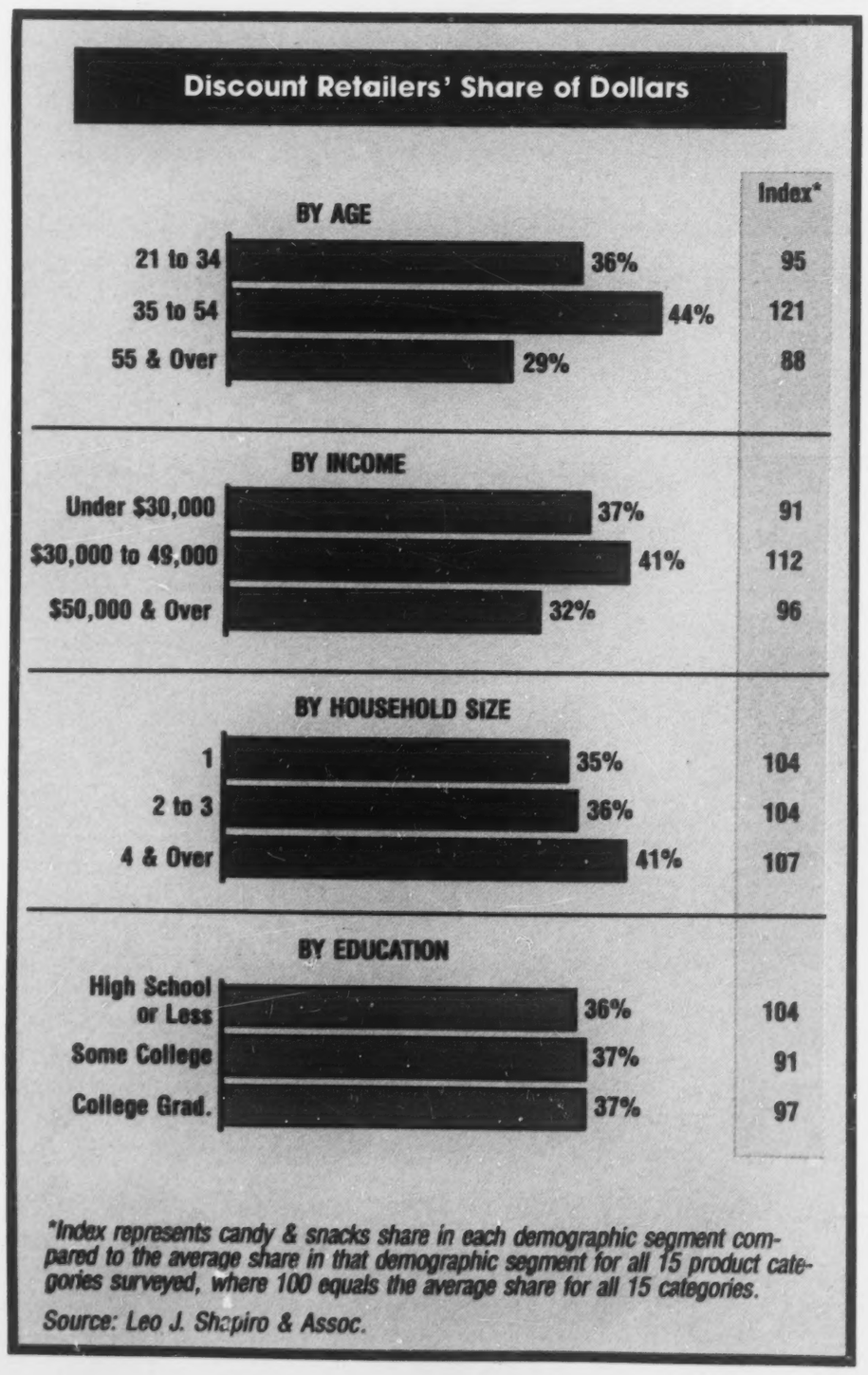
While 23% of shoppers visited a discount store for merchandise, only 17% noted OTC medicine as their most recent purchase. Wal-Mart ranked highest in this respect, with 10% citing the chain, while 3% went to a Kmart for non-prescription drugs.

Among wholesale clubs, OTC drug purchases at 2% was in line with overall buying behavior.



*Type of store in which consumers who bought non-prescription drugs in the past year made their last purchase.

Source: Leo J. Shapiro & Assoc.



*Index represents candy & snacks share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

CANDY & SNACKS

Discounters, Discount Drug Stores, Clubs Give Supermarkets a Race

While supermarkets and convenience stores, as expected, are the dominant packaged candy and snack retailers, with half the market, discount merchants—discount department stores, membership warehouses and discount drugstores—accounting for 37% of the dollars spent on these products.

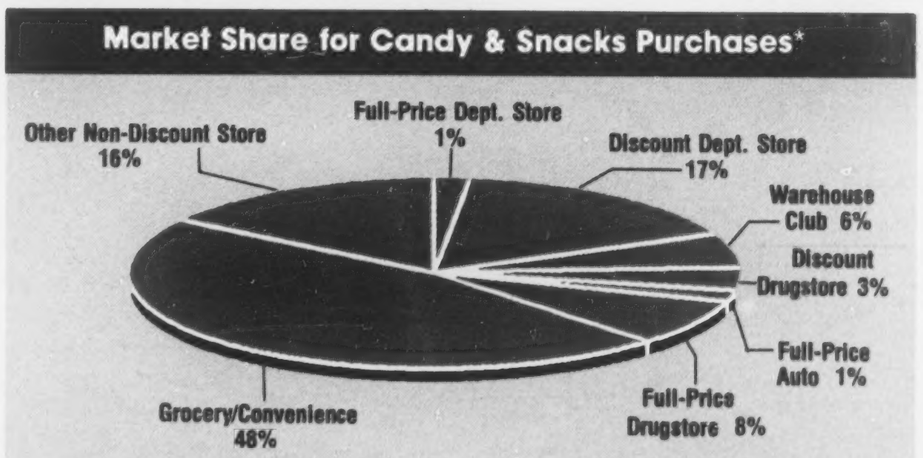
Within the discount selling arena, packaged candy and snacks is an especially vital category for membership warehouses. Of all consumers who bought these items in the past year, 6% made their last purchase at wholesale clubs, a higher ratio than the 3% of consumers overall whose last purchase was made in a club.

The packaged candy and snack ratio was lower for discount stores. Only 17% of the shoppers noted their last purchase for this merchandise was made at a discount store, against the 23% who overall visited a discounter for their most recent shopping. The discount drugstore went up one percentage point to 3%.

Eight percent of shoppers made their last purchase of packaged candy and snacks at a full-priced drugstore, compared to 7% of consumers whose most recent shopping was at this type of retailer.

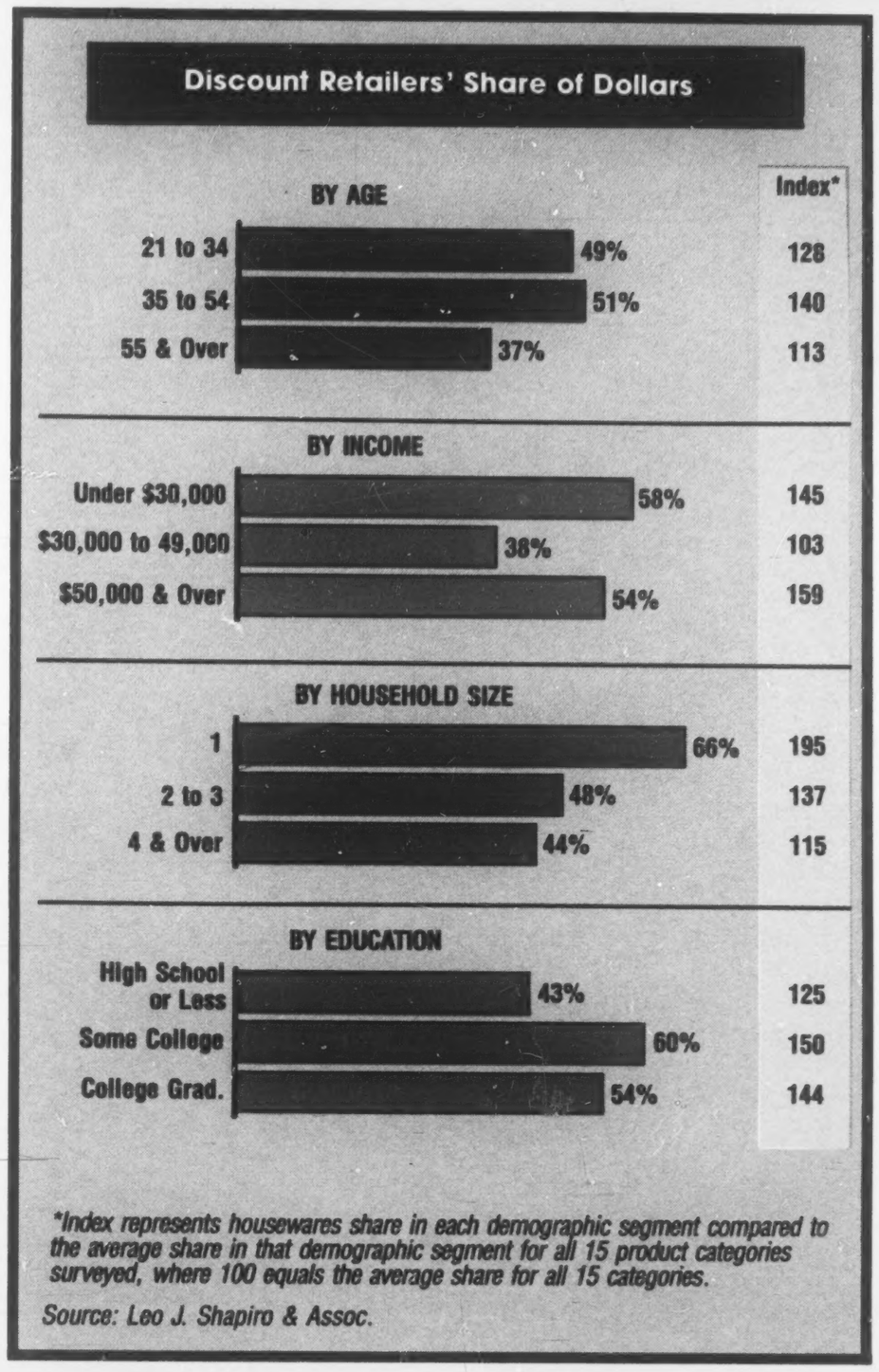
Among specific discounters, Wal-Mart (8%) and Kmart (4%) captured the highest percentage of sales, followed by Sam's Club (2%) and Meijer and Phar-Mor, each at 2%. Walgreens, at 2%, was the chain leader among full-price drugstores, but local drugstores overall accounted for a greater share, 4%.

Discounters' share of packaged candy and snack sales was strongest in the North Central states area, due in great part to the volume recorded in this region by Wal-Mart, followed by the West Coast, where membership warehouses, specifically Costco, Pace and Price Club, made a great impact on volume. The south came next, with Wal-Mart, Sam's and Kmart the key merchants. Trailing was the Northeast, a region without any specific dominant retailer.



*Type of store in which consumers who bought candy & snacks in the past year made their last purchase.

Source: Leo J. Shapiro & Assoc. for DSN


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 49% 128
35 to 54 51% 140
55 & Over 37% 113
BY INCOME
Under $30,000 58% 145
$30,000 to 49,000 38% 103
$50,000 & Over 54% 159
BY HOUSEHOLD SIZE
1 66% 195
2 to 3 48% 137
4 & Over 44% 115
BY EDUCATION
High School or Less 43% 125
Some College 60% 150
College Grad. 54% 144
*Index represents housewares share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

HOUSEWARES

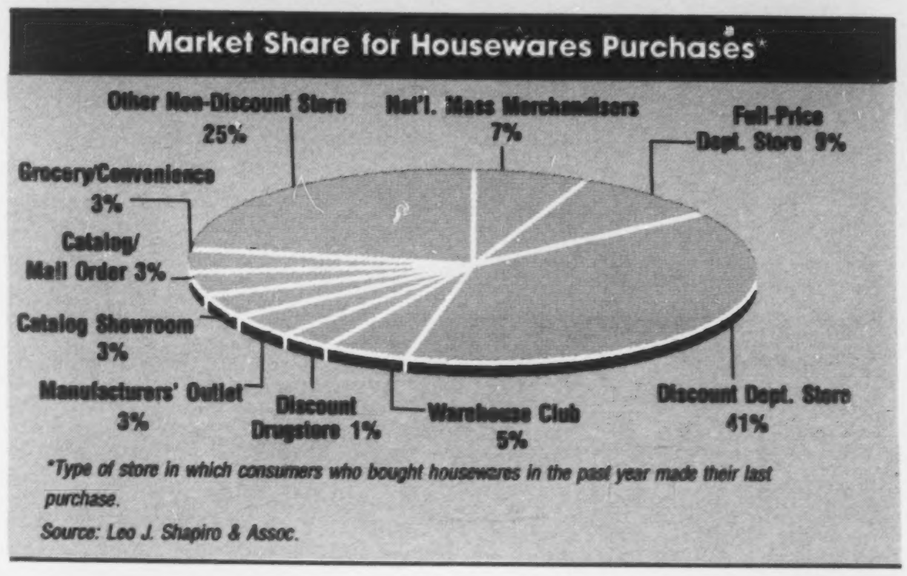
Discount Department Stores Dominate Market Share Among Housewares Retailers

Consumers last year spent almost half their housewares dollars in stores they consider discount retailers. That's better than the average share (36%) discount retailers garnered for all 15 product categories *DSN* surveyed.

Discount department stores were the dominant segment among all discount formats, with 41% of consumers naming a full-line discounter as the place they made their last housewares purchase.

Warehouse clubs accounted for 5% of last housewares purchases, nearly twice the number this segment attracted as a whole. Discounters as a whole were named by more than half of those surveyed. Among chains, Wal-Mart led with 15% of shoppers naming it as the place they last purchased housewares, followed by Kmart, 11%, and Sears and Target, each with 5%.

Affluent singles who have achieved professional or management positions or in college form a demographic "blip" among those shopping for housewares at discount.

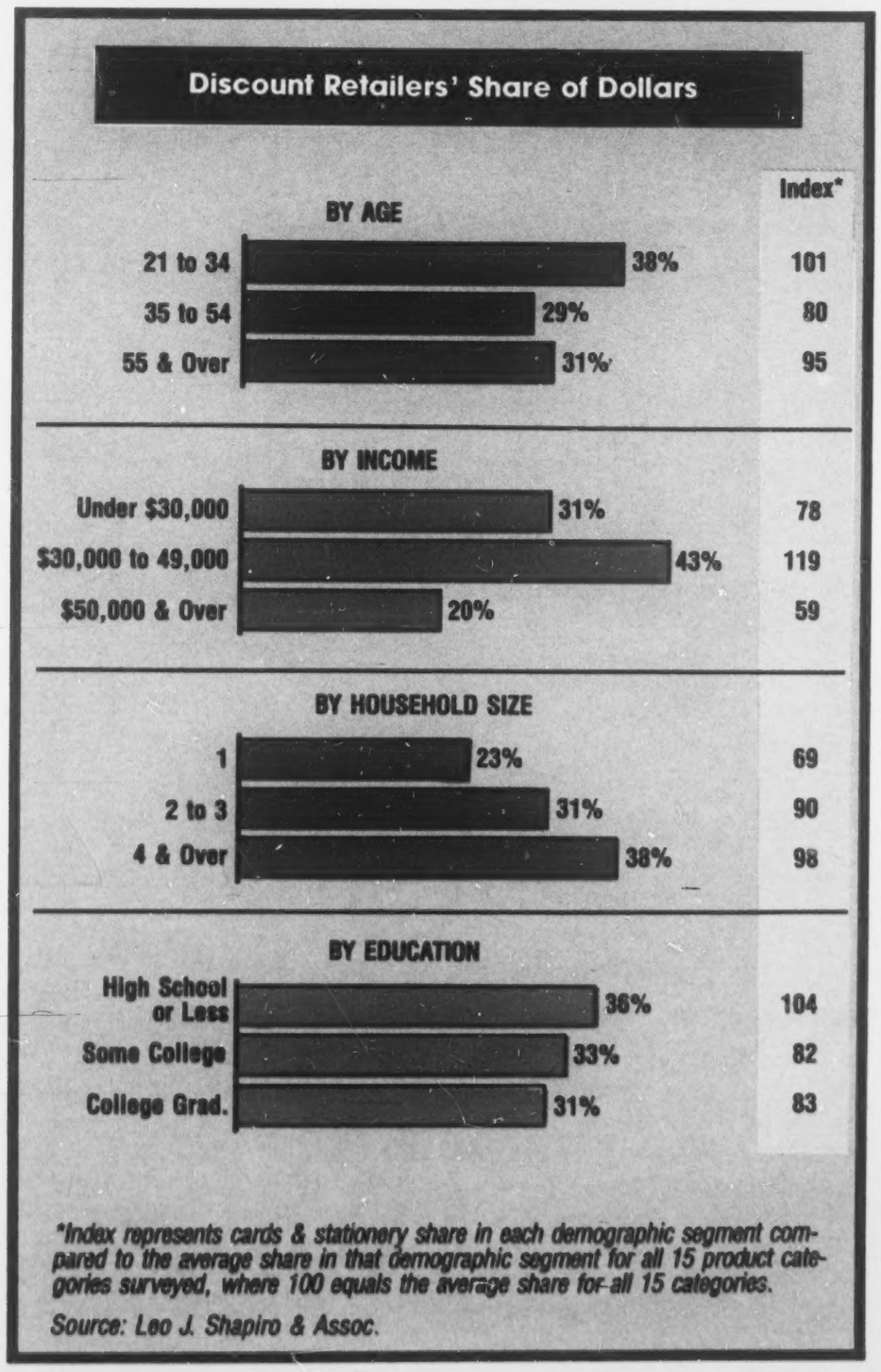

Market Share for Housewares Purchases*
Other Non-Discount Store 25%
Nat'l. Mass Merchandisers 7%
Full-Price Dept. Store 9%
Grocery/Convenience 3%
Catalog/ Mail Order 3%
Catalog Showroom 3%
Manufacturers' Outlet 3%
Discount Drugstore 1%
Warehouse Club 5%
Discount Dept. Store 41%
*Type of store in which consumers who bought housewares in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

Consumers earning less than $30,000, and those with incomes in excess of $50,000 estimated they spent more of their housewares dollars at discounters than consumers in the middle of these two income groups ($30,000 to $49,000).

Singles spent 66% of their housewares dollars at stores that "sell at a discount," while other households spent less than half of housewares dollars in discount stores.

The demographic blip can be explained in part by the availability of discount formats selling housewares—including catalog showrooms, manufacturers outlets and warehouse clubs—which typically cater to a more affluent customer. As a group, these formats accounted for 11% of last housewares purchases.

Gourmet shops and other non-discount independent stores got nearly one-fourth of most recent purchases. All non-discount formats together garnered 32% of last housewares purchases, significantly less than the average for all the departments surveyed.


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 38% 101
35 to 54 29% 80
55 & Over 31% 95
BY INCOME
Under $30,000 31% 78
$30,000 to 49,000 43% 119
$50,000 & Over 20% 59
BY HOUSEHOLD SIZE
1 23% 69
2 to 3 31% 90
4 & Over 38% 98
BY EDUCATION
High School or Less 36% 104
Some College 33% 82
College Grad. 31% 83
*Index represents cards & stationery share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

CARDS & STATIONERY

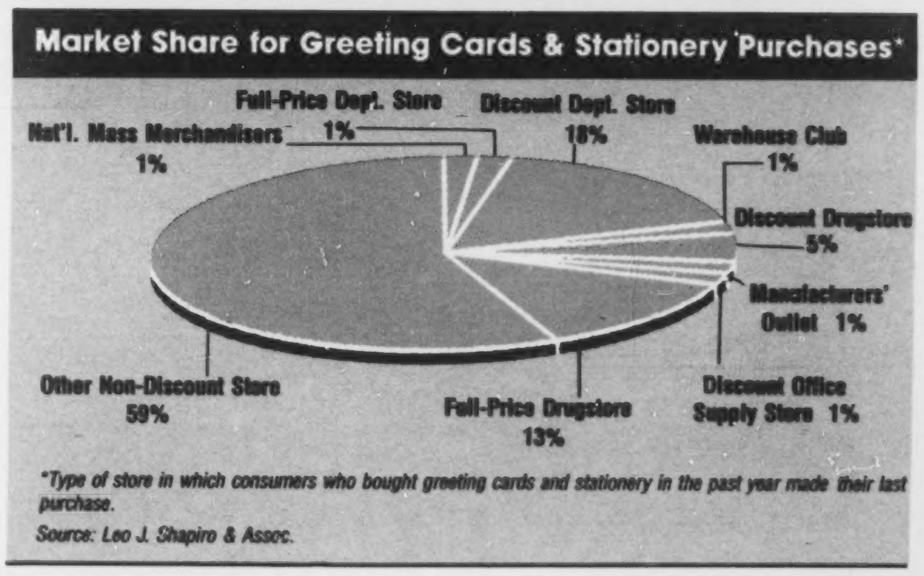
Consumers Turn to Discounters for Less Than A Third of Their Greeting Card Buys

Greeting card and stationery departments at discount stores attract a relatively low percentage of total dollars spent by consumers on these products.

Less than a third (32%) of all dollars spent on greeting cards and stationery is earmarked for a discount store, a figure lower than the amounts for all other departments tracked in the study except men's clothing (30%) and auto supplies (27%).

One-fourth (25%) of consumers who were surveyed who bought stationery or greeting cards in the past year made their last purchase at a discount retailer, with 18% mentioning discount department stores.

The discount chain where consumers said they shopped at most in the last year for greeting cards and stationery was Wal-Mart, with 7%. Kmart followed with 5% of mentions. Target was identified by 2% of discount department store shoppers who purchased greeting cards and stationery in the last year, and


Market Share for Greeting Cards & Stationery Purchases*
Full-Price Dept. Store 1%
Discount Dept. Store 18%
Nat'l. Mass Merchandisers 1%
Warehouse Club 1%
Discount Drugstore 5%
Manufacturers' Outlet 1%
Other Non-Discount Store 59%
Full-Price Drugstore 13%
Discount Office Supply Store 1%
*Type of store in which consumers who bought greeting cards and stationery in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

Ames and Meijers each received 1% of mentions.

Non-discount retailers, especially Hallmark, are the stores consumers choose to shop in most often for these products.

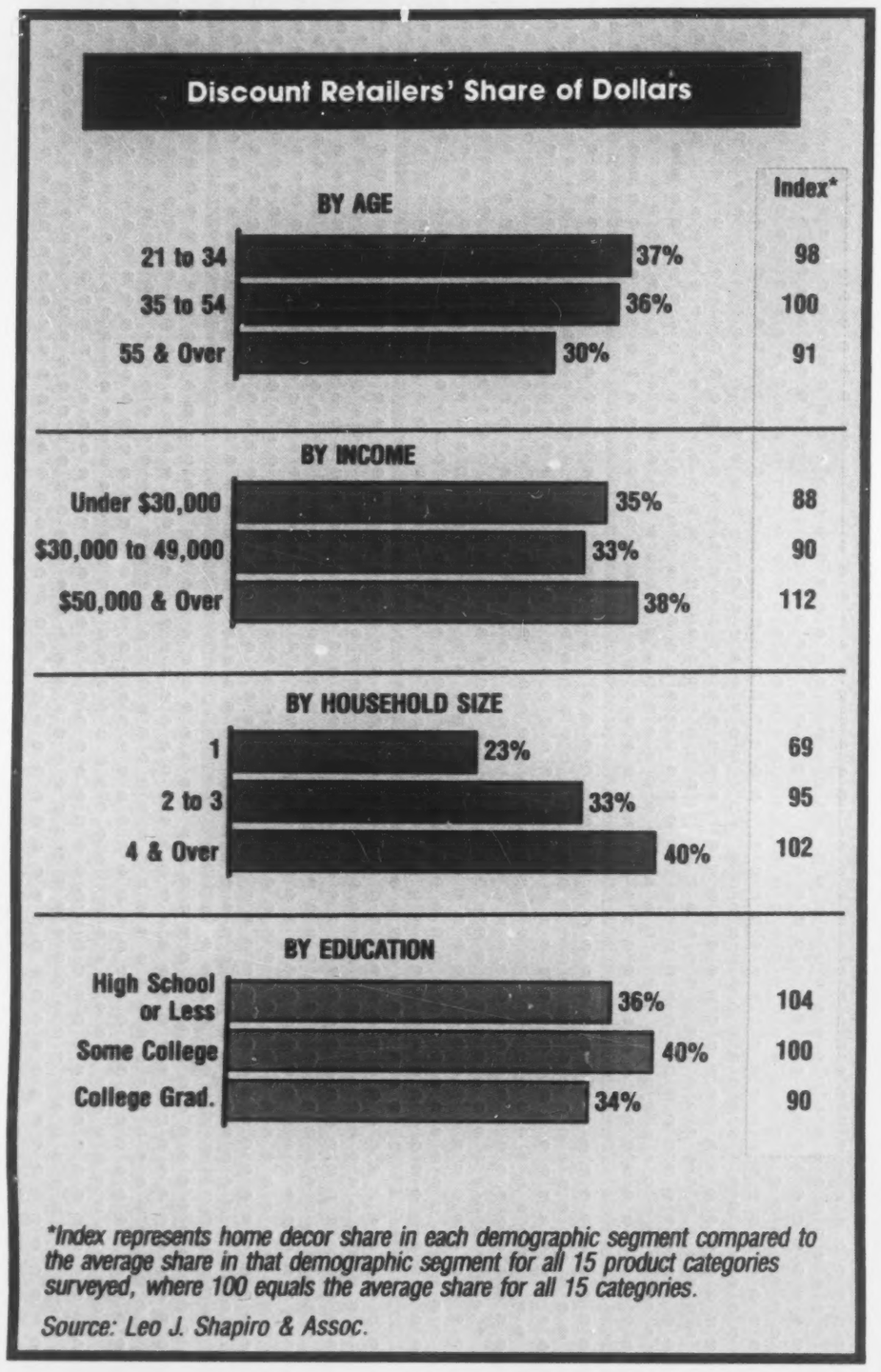
When asked where they last purchased greeting cards and stationery, 73% of survey respondents said "other non-discount stores" such as full-price drug stores, Hallmark and independent retailers. Hallmark received a consumer response of 27% of mentions, while independent stores—which were not identifed by name—received 24% of mentions.

Hallmark remains, by far, the store consumers think of first to satisfy their greeting card and stationery needs.

Full-price drug chains were mentioned by 13% of shoppers in this survey.

On a regional basis, consumers turned to discount department stores most often in the South (25%) and North Central states (25%), and least often in the Northeast (9%).

Wal-Mart was the strongest discounter in these regions.


Discount Retailers' Share of Dollars
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BY HOUSEHOLD SIZE
1 23% 69
2 to 3 33% 95
4 & Over 40% 102
BY EDUCATION
High School or Less 36% 104
Some College 40% 100
College Grad. 34% 90
*Index represents home decor share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

HOME DECOR

More Than a Third of Home Improvement And Hardware Dollars Go to Discounters

For hardware, decorating and home improvement products, stores that consumers define as discounters are getting close to the all-department average share of consumer dollars spent.

Among discount chains consumers said they shopped, Home Depot goes to the head of the class. Two home center chains, Home Depot and Builders Square, a Kmart subsidiary, command a public image as hardware discounters, with 80% of those surveyed regarding them as a discounters. In comparison, 13% of consumers think of Sears as a discounter of hardware.

Of dollars they spend for hardware, consumers say 34% goes to stores they perceive to be discounters, against 36% for all merchandise.

Overall, 30% last bought a hardware item from a discount retailer. Regionally, the percentage ranged from 40% in the West to 19% in the Northeast.

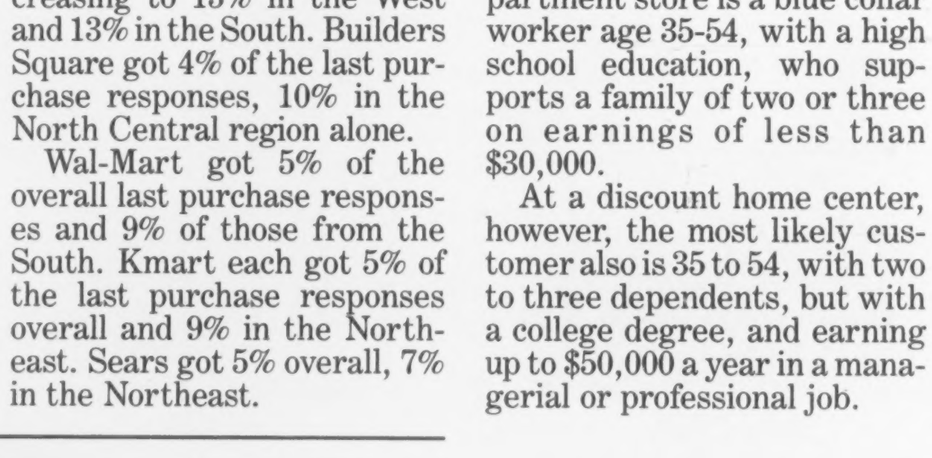
Atlanta-based Home Depot came out the best on the question "Where did you make your last hardware purchase?" Of respondents, 8% said they went to Home Depot, with the percentage increasing to 15% in the West and 13% in the South. Builders Square got 4% of the last purchase responses, 10% in the North Central region alone.

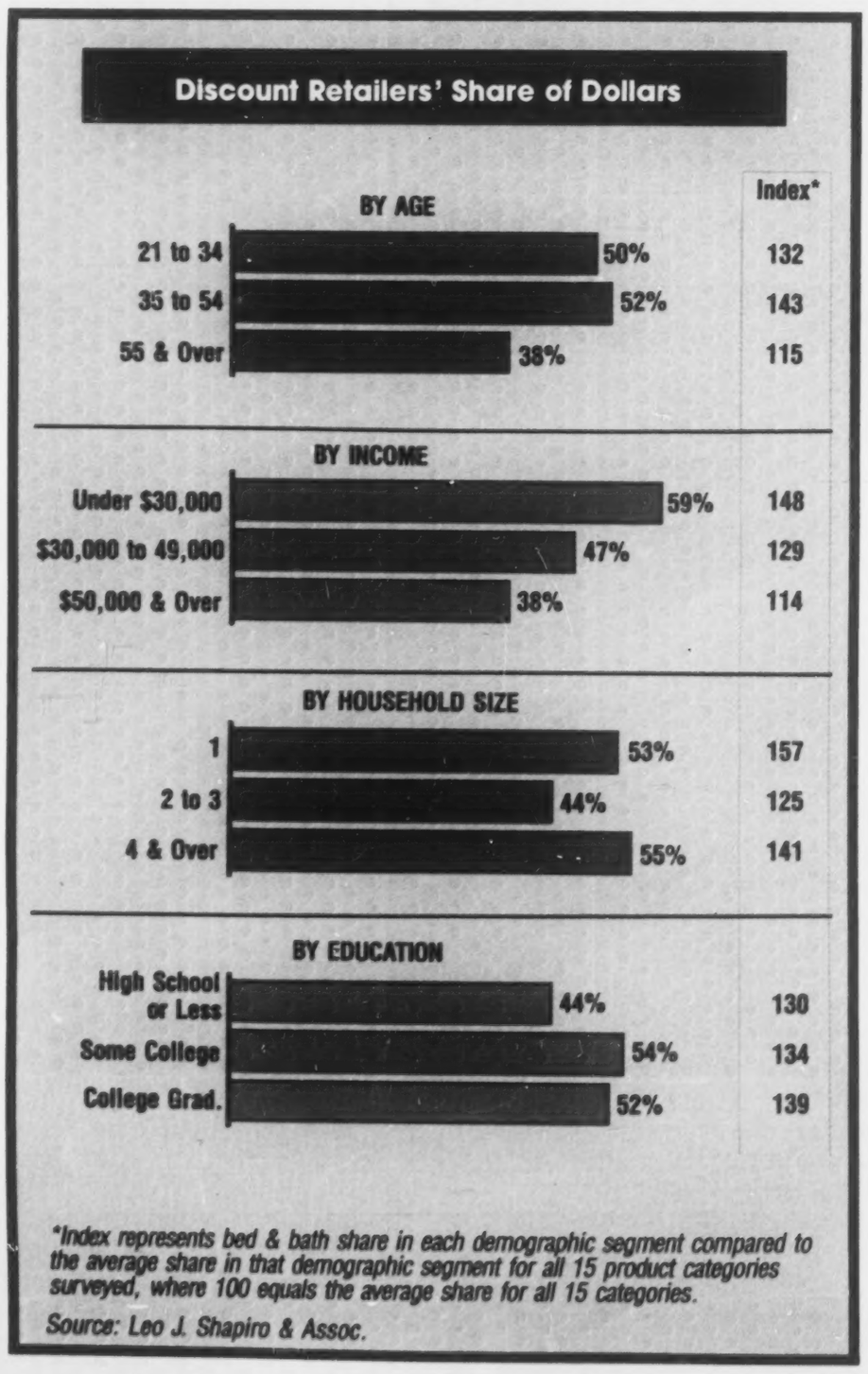
Wal-Mart got 5% of the overall last purchase responses and 9% of those from the South. Kmart each got 5% of the last purchase responses overall and 9% in the Northeast. Sears got 5% overall, 7% in the Northeast.

Target, Meijers and Ames each got 1% nationally.

The most likely hardware customer for a discount department store is a blue collar worker age 35-54, with a high school education, who supports a family of two or three on earnings of less than $30,000.

At a discount home center, however, the most likely customer also is 35 to 54, with two to three dependents, but with a college degree, and earning up to $50,000 a year in a managerial or professional job.


Market Share for Home Decor Purchases*
Nat'l. Mass Merchandisers 5%
Other 1%
Full-Price Dept. Store 2%
Other Non-Discount Store 31%
Discount Dept. Store 14%
Warehouse Club 1%
Discount Hardware/Home Improvement Store 14%
Full-Price Hardware/Home Improvement Store 32%
*Type of store in which consumers who bought home decor in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.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BY HOUSEHOLD SIZE
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2 to 3 44% 125
4 & Over 55% 141
BY EDUCATION
High School or Less 44% 130
Some College 54% 134
College Grad. 52% 139
*Index represents bed & bath share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

BED & BATH

Young, Large Households Help Make Bed & Bath a Top Discount Category

Roughly one half of all bed & bath dollars are now spent at discount stores. Predictably, younger consumers with larger households are most likely to buy from a discounter, while consumers from older (and presumably wealthier, smaller households) are more likely to buy from a non-discount source.

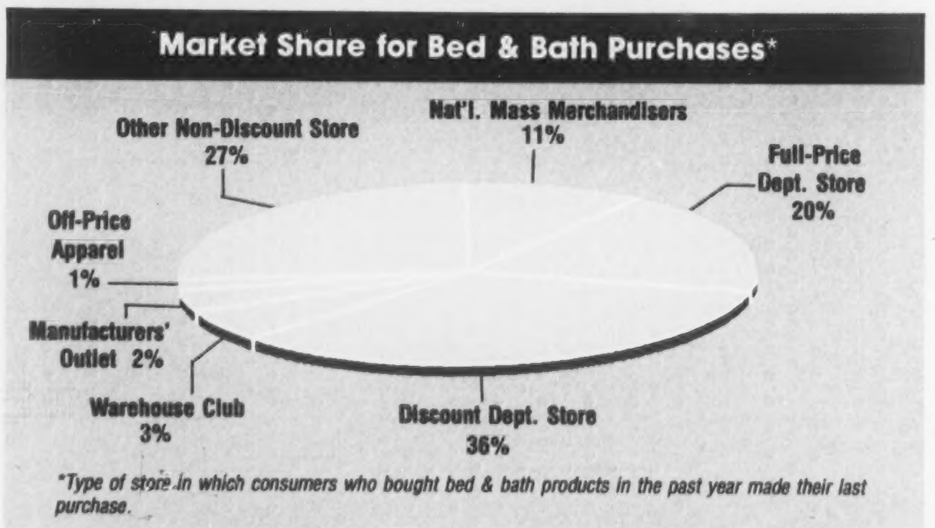
Overall, bed & bath appears to be one of the strongest departments in the discount industry. About one-third of all dollars go to stores consumers define as discounters, compared to the 48% of bed & bath dollars spent at stores they see as discounters.

While Sears and JCPenney are generally thought to be the top bed & bath outlets industrywide, discount department stores were the channel of distribution in which the largest percentage of consumers last shopped for bed & bath products. Thirty-six percent of the respondents who bought bed & bath products in the past year made their last bed & bath purchase at a discount department store, with Wal-Mart, 16%, and Kmart, 9%, leading the way.

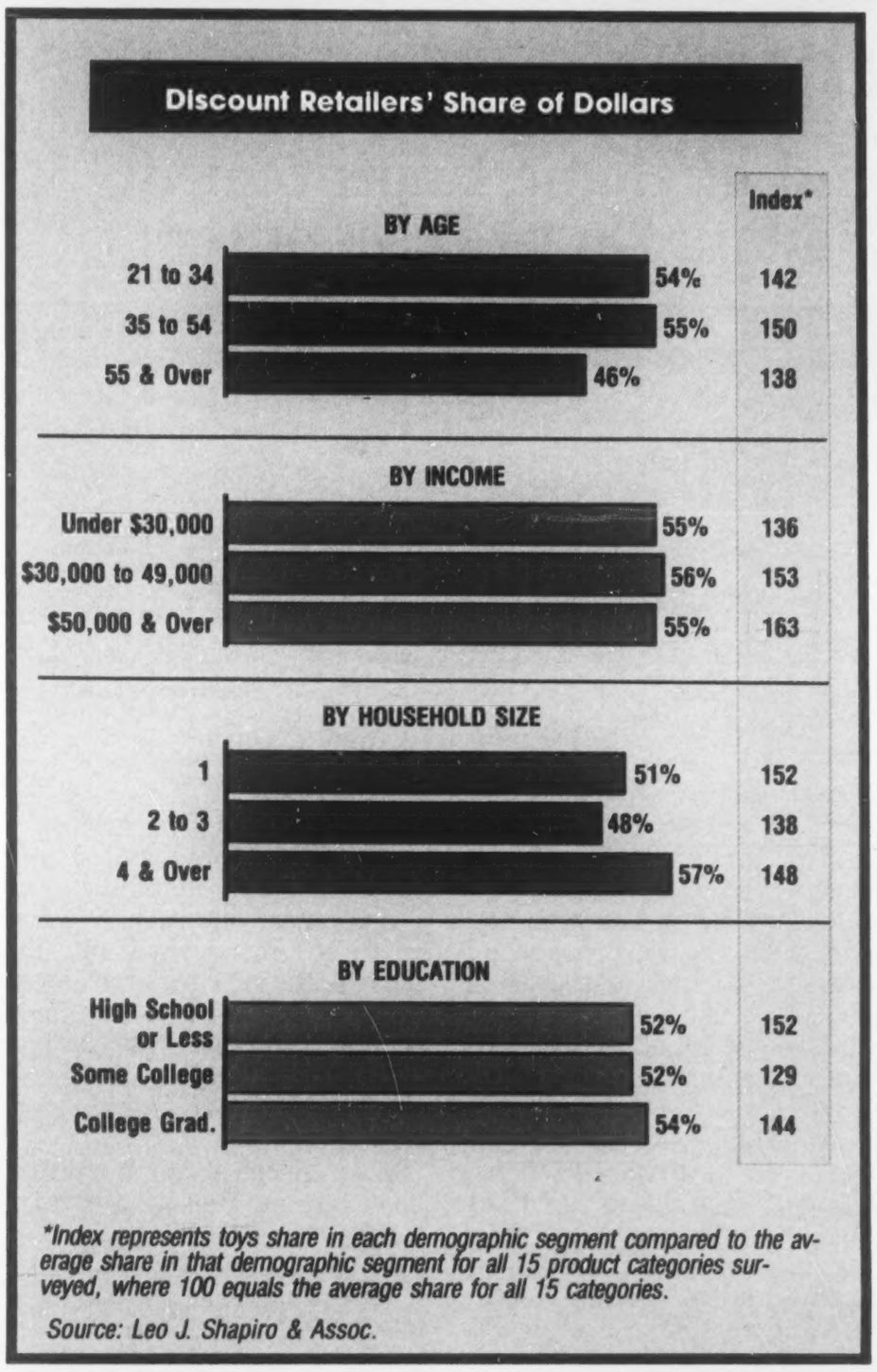
Department stores, including JCPenney, garnered 20% of consumers' last purchase, and national mass merchandisers, including Sears, Montgomery Ward and Mervyn's, captured only 11%.

Wholesale clubs are just beginning to make an impact on the bed & bath market, at least from a consumer perspective. Nationwide, only 3% of consumers made their last bed & bath purchase at a club, but in the West, clubs' captured 9%. Since the concept has spread west to east over the past several years, the results reflect the growing acceptance of the warehouse club among consumers.

In demographic terms, discounters were skewed heavily toward younger and less affluent shoppers, which is consistent with other surveys. For instance, only 14% of Wal-Mart's customer base was over 55 years of age, and only 8% of Kmart shoppers made more than $50,000 in household income.


Market Share for Bed & Bath Purchases*
Other Non-Discount Store 27%
Nat'l. Mass Merchandisers 11%
Full-Price Dept. Store 20%
Off-Price Apparel 1%
Manufacturers' Outlet 2%
Warehouse Club 3%
Discount Dept. Store 36%
*Type of store in which consumers who bought bed & bath products in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

1992 CONSUMER BUYING STUDY



*Index represents toys share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

TOYS

Discounters Draw the Lion's Share Of Consumers' Toy Expenditures

With thousands of outlets available nationwide, discount stores received the greatest percentage of consumer dollars spent on toys of all retail outlets.

Consumers said they spent more than half (53%) of the toy dollars last year at discount stores. None of the other 14 merchandise categories examined in this study attributed a higher percentage of available dollars to discount stores.

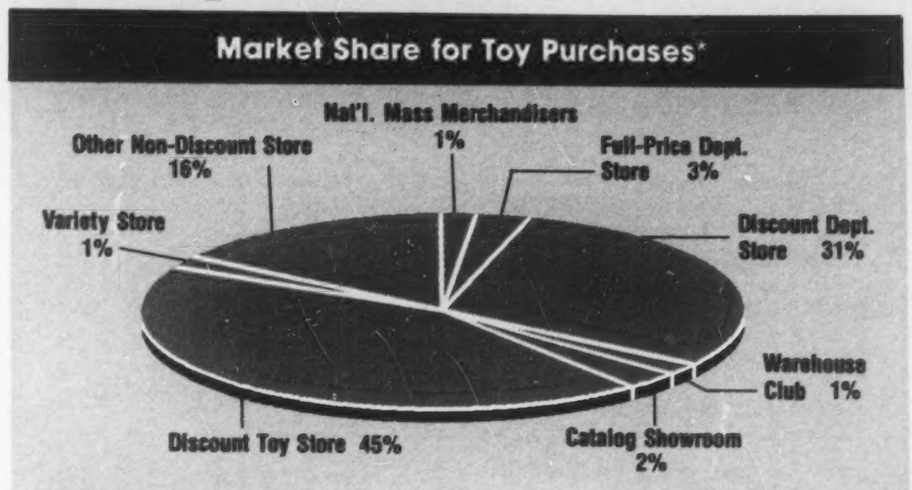
Moreover, 78% of toy shoppers who said they purchased a toy in the last year made their last purchase at a discount retailer. Of that, 31% made that purchase at a discount department store like Wal-Mart and Kmart.

Toys "R" Us, the leading independent toy chain, was mentioned by 38% of consumers as the place they last shopped for a toy. But consumers remain confused as to whether Toys "R" Us is a discount store or a full-price retailer.

According to survey results, only about 40% of surveyed consumers identified Toys "R" Us as a discounter. Apparently, TRU's marketing emphasizes its wide assortment more than its low prices.

However, regardless of what label consumers place on TRU, the toy chain is a leader among national retailers.

Of all people who shopped for any of 15 product categories surveyed in the last year, 42% made their last visit to a Toys "R" Us, tied with Target—a greater percentage of people than last shopped at seven other chains on a list of 12. TRU followed Kmart (77%), Sears (67%), and Wal-Mart (51%).

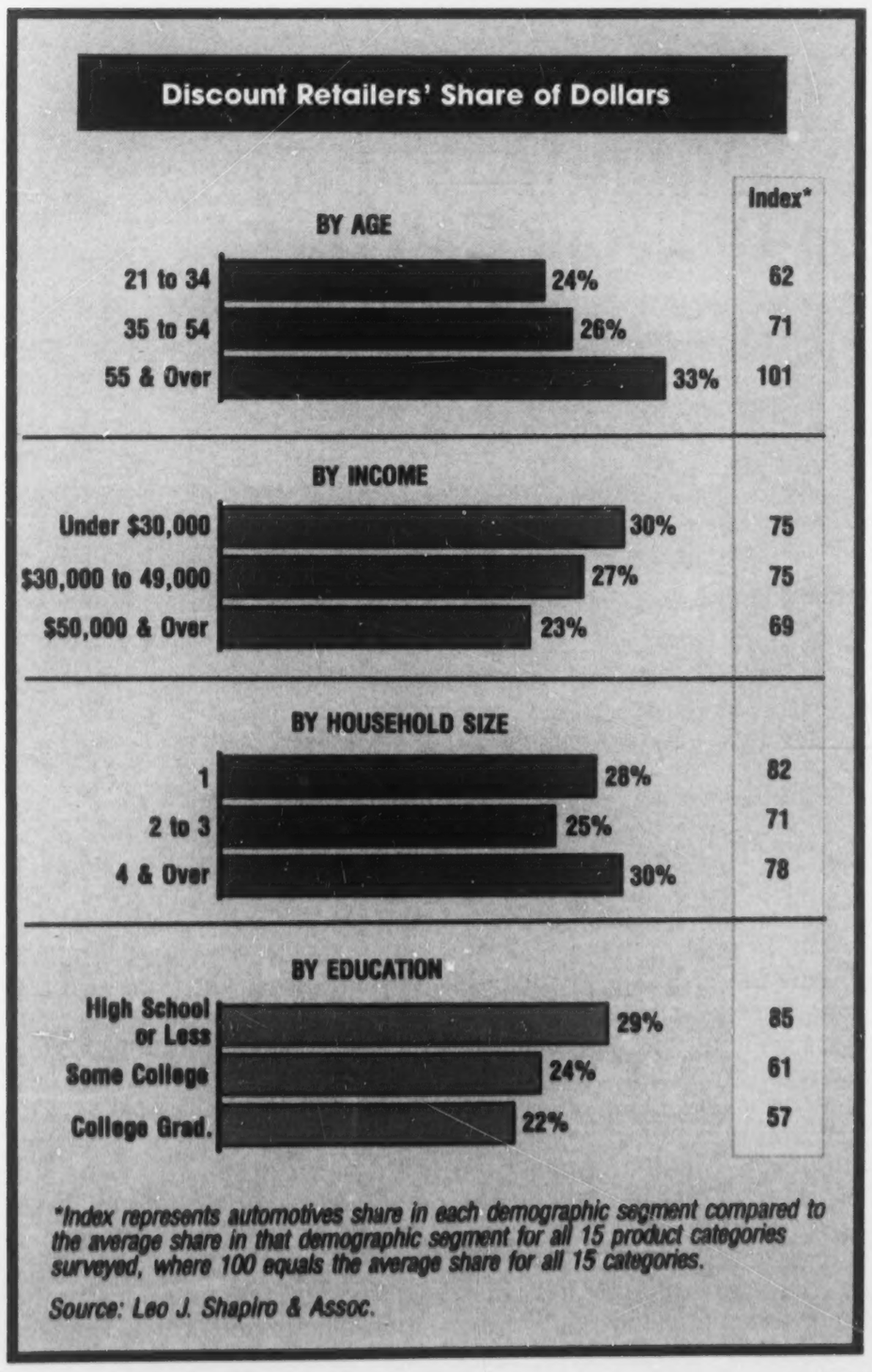


*Type of store in which consumers who bought toys in the past year made their last purchase.

Source: Leo J. Shapiro & Assoc.

Among discount department store chains, Wal-Mart was identified most by consumers as the place they last shopped for toys (14%), followed by Kmart (7%), Target (3%) and ShopKo, Ames, Hills, and Meijers (1%) each.

On a regional basis, discount retailers did best as the place consumers last shopped for toys in the North Central region and the South (82%). Predictably, Wal-Mart did best in the South, (27%), and Toys "R" Us did well in the South and West (39%).



*Index represents automotives share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.

Source: Leo J. Shapiro & Assoc.

AUTOMOTIVE SUPPLIES

Automotives the Weakest Department for Discount Stores, Except in the South

Although auto parts and accessories made the weakest showing on the discount shopping survey of any of the 15 departments, auto parts discounting thrives in the South.

Memphis, Tenn.-based AutoZone, which caters to low-income motorists who fix their own cars and pickups, is the star among chains.

When buying auto supplies, consumers spend 27% of their dollars at stores they perceive to be discounters, the least among 15 departments.

In terms of where consumers bought their last auto supplies, the Northeast is weakest, with 16%, compared to 31% for the country.

In the north central region, where full-price auto stores, such as Nationwise and AutoWorks dominate the automotives aftermarket, 28% of respondents bought their last automotives from a discounter.

In the South, 45% of shoppers said they bought their last auto supplies at a store they see as a discounter.

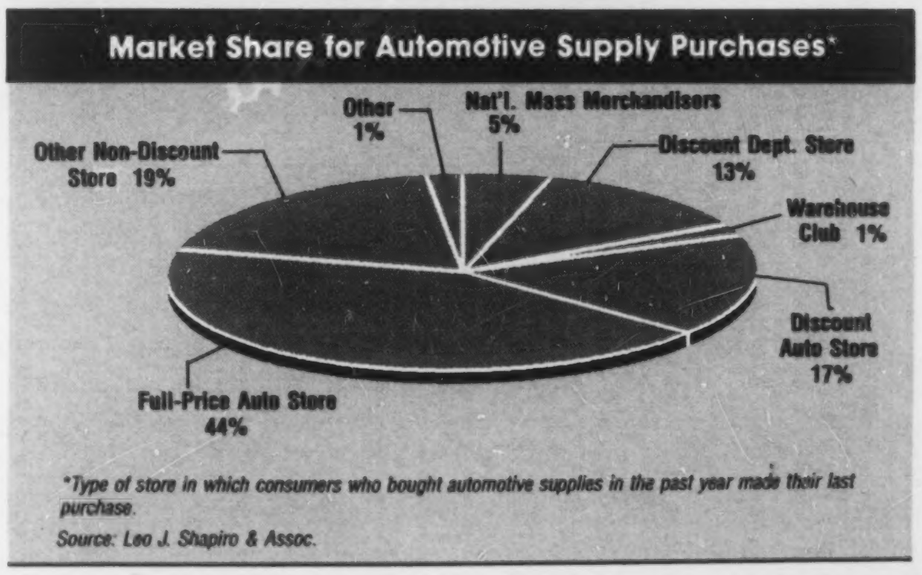
On the last purchase question, the 31% for auto compares with 37% average for all departments. The breakdown by channel of distribution is: discount auto chains (17%), discount department stores (13%), and warehouse clubs (1%), and among the non-discount chains, national mass merchandisers, such as Sears, Ward (5%) and other non-discount stores, including full-price auto and service stations (63%).

A person aged 21 to 34 with a high school education, supporting a family of two or three on annual earnings of less than $30,000 from a blue-collar job, is most apt to buy auto supplies at a discounter.

The least likely customer is a single, age 55 or older, who graduated from college and makes $50,000 or more in a professional or white-collar job.

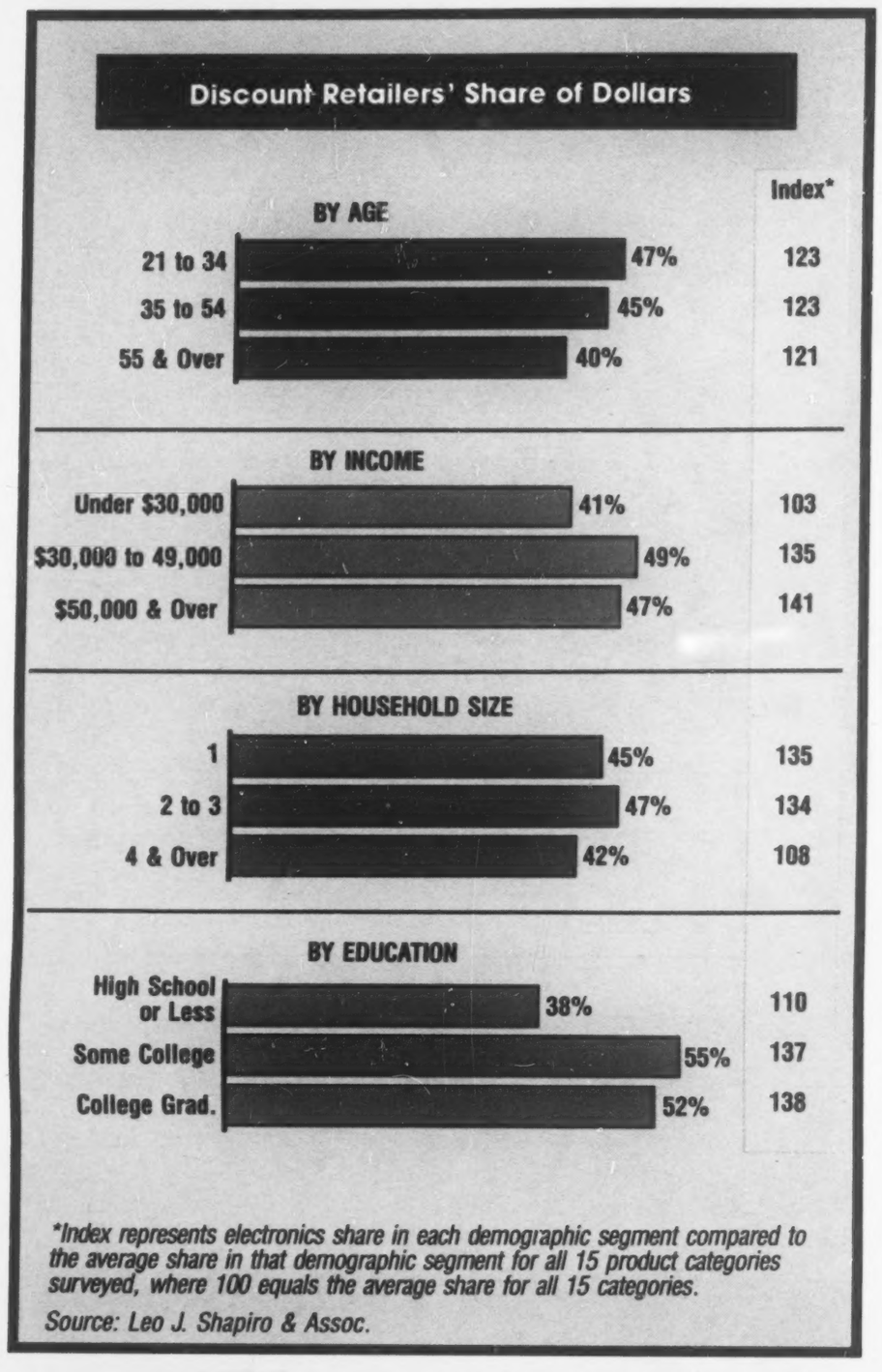
Nearly one in 12 (8%) of consumers made their last automotive buy at AutoZone. Wal-Mart, Kmart and Sears each snared the last automotives purchase of 5% of consumers.

Only 4% regard Sears as an automotives discounter, and 5% said they bought their last auto supplies at Sears.



*Type of store in which consumers who bought automotive supplies in the past year made their last purchase.

Source: Leo J. Shapiro & Assoc.


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 47% 123
35 to 54 45% 123
55 & Over 40% 121
BY INCOME
Under $30,000 41% 103
$30,000 to 49,000 49% 135
$50,000 & Over 47% 141
BY HOUSEHOLD SIZE
1 45% 135
2 to 3 47% 134
4 & Over 42% 108
BY EDUCATION
High School or Less 38% 110
Some College 55% 137
College Grad. 52% 138
*Index represents electronics share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

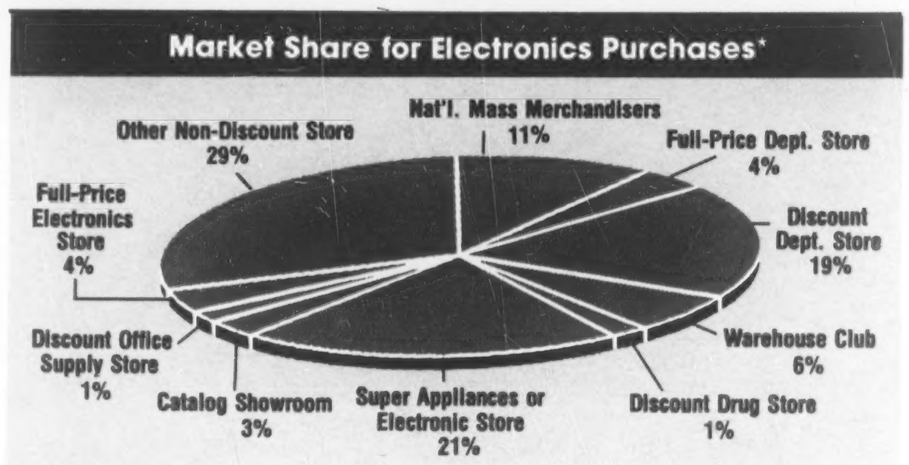
ELECTRONICS

Half of Consumers' Electronics Dollars Go to Discounters, as Warehouses' Share Grows

Warehouse clubs are the fastest growing segment in consumer electronics retailing, and their share of the market will probably continue to rise. On average, for all 15 product categories surveyed for *DSN*, clubs attracted about 3% of all shopping visits. However, in home electronics, 6% of consumers who purchased a CE product in the last year made their last purchase at a warehouse club.

In dollars, consumers said nearly half of their expenditures for electronics went to outlets they considered discounters. However, while nearly all shoppers recognized Kmart, Wal-Mart and wholesale clubs as discounters, only about two-thirds identified Circuit City as a discount outlet, so the amount of dollars spent at discounters is likely higher than consumers reported.

Overall, Wal-Mart, Sears, and Circuit City were the top three national electronics retailers, with Kmart, Ward and Radio Shack tied for fourth, followed by regional superpower Best Buy.

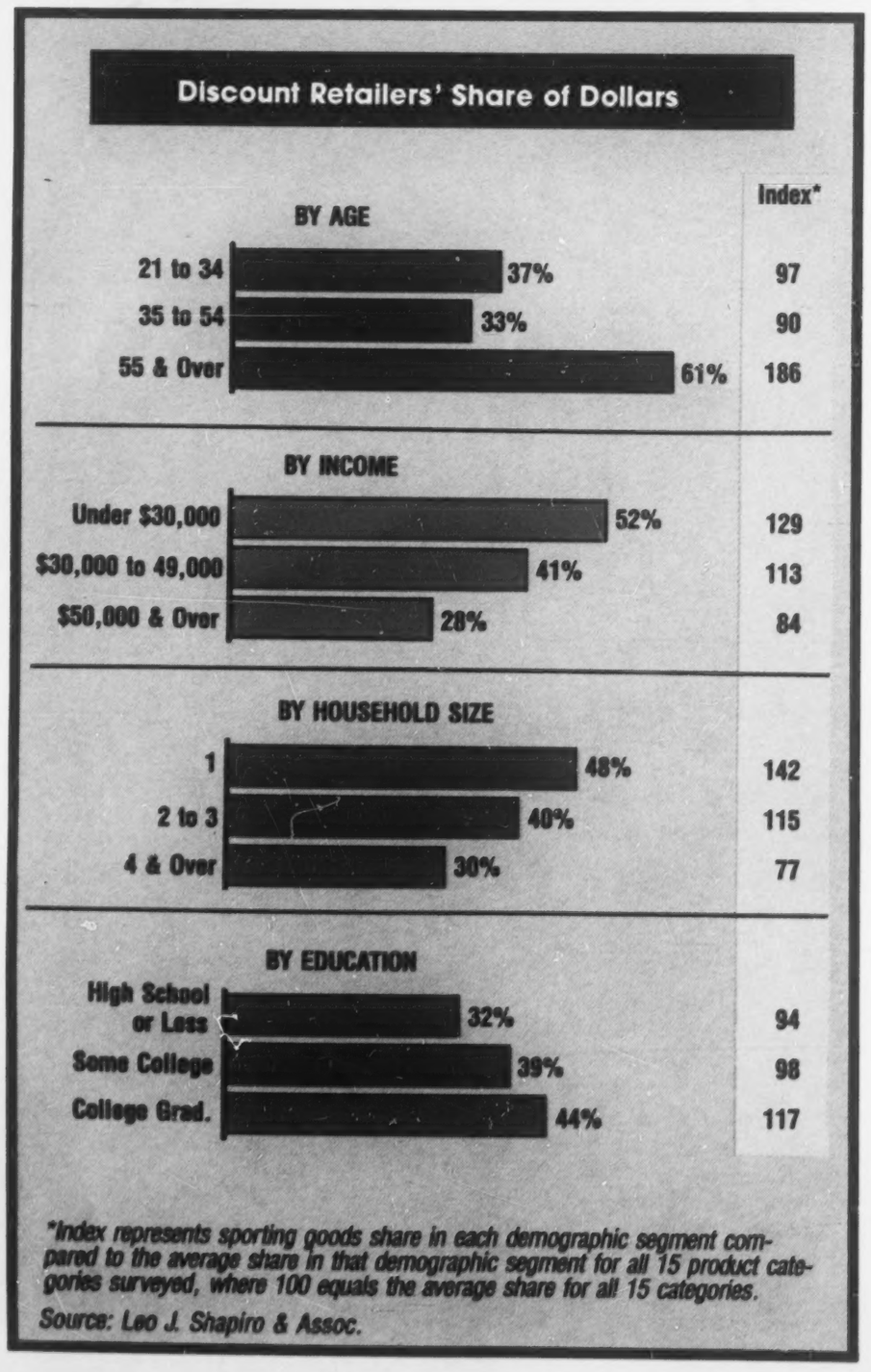

Market Share for Electronics Purchases*
Other Non-Discount Store 29%
Nat'l. Mass Merchandisers 11%
Full-Price Dept. Store 4%
Full-Price Electronics Store 4%
Discount Dept. Store 19%
Discount Office Supply Store 1%
Warehouse Club 6%
Catalog Showroom 3%
Super Appliances or Electronic Store 21%
Discount Drug Store 1%
*Type of store in which consumers who bought electronics in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

Shoppers in the South and North Central regions were most likely to shop a discounter, with shoppers in the Northeast less likely.

Warehouse clubs were formidable competitors in the West, with 13% of the market, led by Costco's 4%. Sears and Ward, along with Wal-Mart, were strong in the South.

Demographically, warehouse clubs drew a disproportionate share of upscale shoppers, with nearly eight of ten warehouse shoppers reporting an income of over $30,000. Shoppers at clubs tended to be well-educated, but were evenly split between management/professional and blue-collar workers.

Warehouse clubs also drew a large number of middle-aged people to their electronics departments. Superstores, on the other hand, tended to draw young, affluent singles, while traditional discounters drew younger, less affluent, and less-educated consumers. Sears performed best among blue-collar, middle-aged, non-affluent shoppers.


Discount Retailers' Share of Dollars
Index*
BY AGE
21 to 34 37% 97
35 to 54 33% 90
55 & Over 61% 186
BY INCOME
Under $30,000 52% 129
$30,000 to 49,000 41% 113
$50,000 & Over 28% 84
BY HOUSEHOLD SIZE
1 48% 142
2 to 3 40% 115
4 & Over 30% 77
BY EDUCATION
High School or Less 32% 94
Some College 39% 98
College Grad. 44% 117
*Index represents sporting goods share in each demographic segment compared to the average share in that demographic segment for all 15 product categories surveyed, where 100 equals the average share for all 15 categories.
Source: Leo J. Shapiro & Assoc.

SPORTING GOODS

Wal-Mart, Kmart Lead in Sports Purchases, With Full-Price Stores Behind Them

Discount retailers, as defined by consumers, accounted for 38% of all dollars spent for sporting goods in the United States last year, as 46% of the nation's sporting goods shoppers said they made their last purchase of such merchandise in either a discount department store or a specialty sporting goods chain.

Wal-Mart and Kmart were the leading outlets for sporting goods nationwide, followed by Herman's. Those three, plus Sports Authority and Big 5 Sporting Goods, accounted for nearly a quarter of all sporting goods shopping visits.

However, it appears that consumers are buying larger ticket items at outlets they view as discounters, particularly in the South and North Central regions, where roughly a half of all sporting goods dollars went to discounters, while only 29% of store visits overall involved discounters.

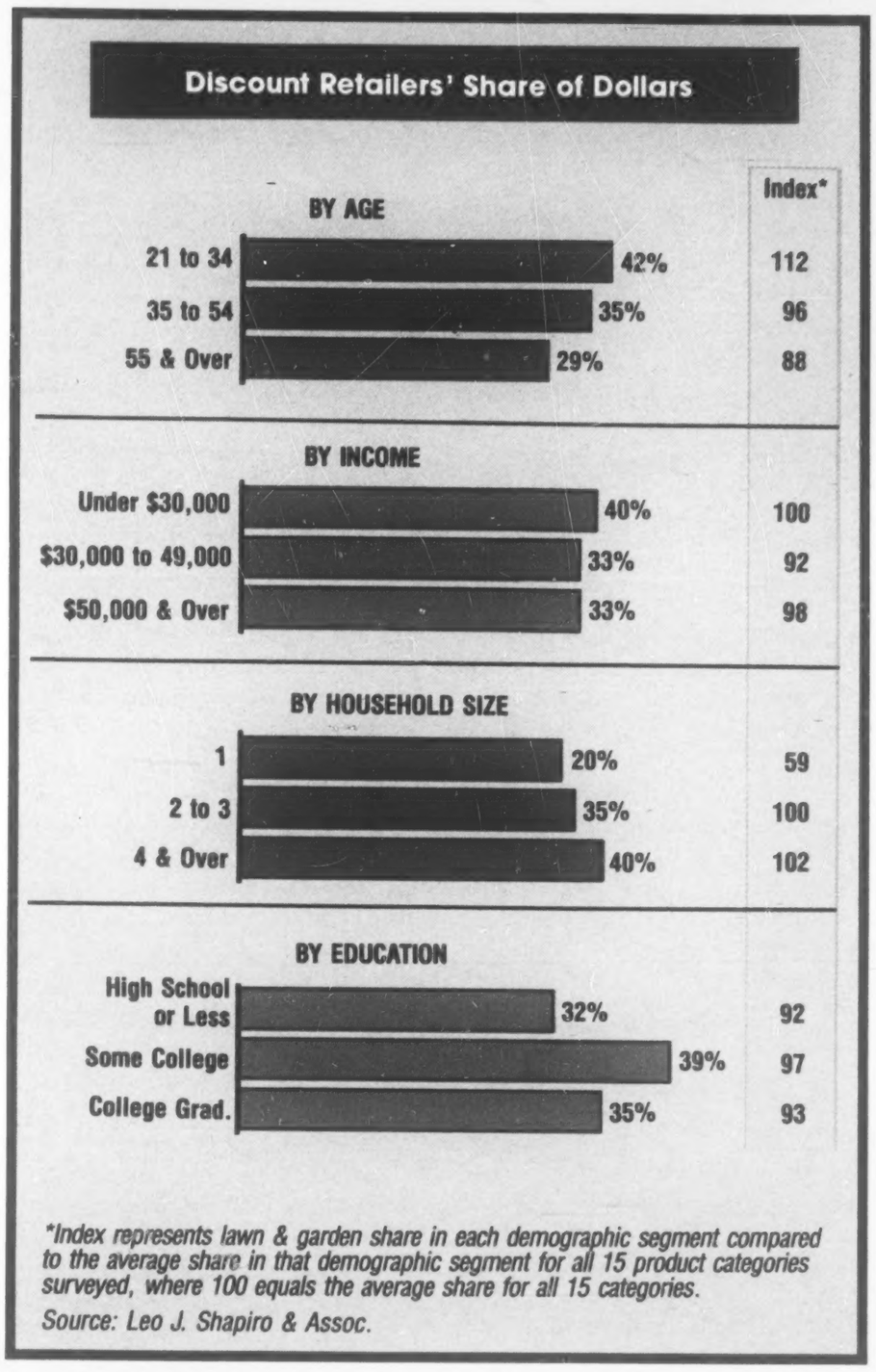
Nationally, only Sears and Target joined the top three in scoring over 1% of store visits. According to consumers, the sporting goods market is fragmented, with electronics stores, toy stores, warehouse clubs, home improvement chains, catalog showrooms, manufacturer outlets, department stores, mass merchandisers and local pro shops fighting for sporting goods dollars.

Market Share for Sporting Goods Purchases*
Other 1%
Nat'l. Mass Merchandisers 3%
Full-Price Dept. Store 1%
Discount Dept. Store 23%
Other Non-Discount Store 45%
Warehouse Club 2%
Off-Price Apparel 1%
Discount Toy Store 1%
Discount/Specialty 23%
*Type of store in which consumers who bought sporting goods in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

Older consumers were more likely to shop discounters. Of those 55 and over, 61% of sporting goods dollars were spent at discounters, compared to about one in three storewide. A disproportionate number of single-person households and those earning less than $30,000 also shopped discounters for sporting goods.

And in a deviation from typical discount store demographics, college graduates were more likely to shop discounters for sporting goods, with about 44% of dollars spent by that group going to discounters, compared to just over 30% of those with a high school education or less.

Wal-Mart is now the nation's leading outlet for sporting goods, with 10% of "last purchases." Kmart is right behind, with 7%.



LAWN & GARDEN

Discounters in South and Northeast Snare Above Average Share of Lawn & Garden Dollars

Discounters snared 35% of total spending on lawn & garden products, about par for discount shopping as a whole, 36%.

Southern discounters, however, get 40% of L&G dollars, while the Northeast lands 39%.

Among discount outlets, Kmart and Wal-Mart run neck and neck, with 11% of those surveyed saying they had bought their last L&G purchase at Kmart and 10% at Wal-Mart. Regionally, the last purchase percentage rises for Kmart to 17% in the Northeast, and to 18% for Wal-Mart in the South alone.

Target, Meijer and Sam's Club each got 1% of the last purchase responses nationally.

In the West, 4% of consumers made their last lawn and garden purchase at a Costco, (1% nationally) while 10% of westerners (4% nationally) made it at a Home Depot.

For the country as a whole, however, the most common place for the last L&G purchase was a full-price nursery, 18%.

Of those surveyed, 12% regard Sears as a L&G discounter, and 5% said they made their last L&G purchase at Sears.

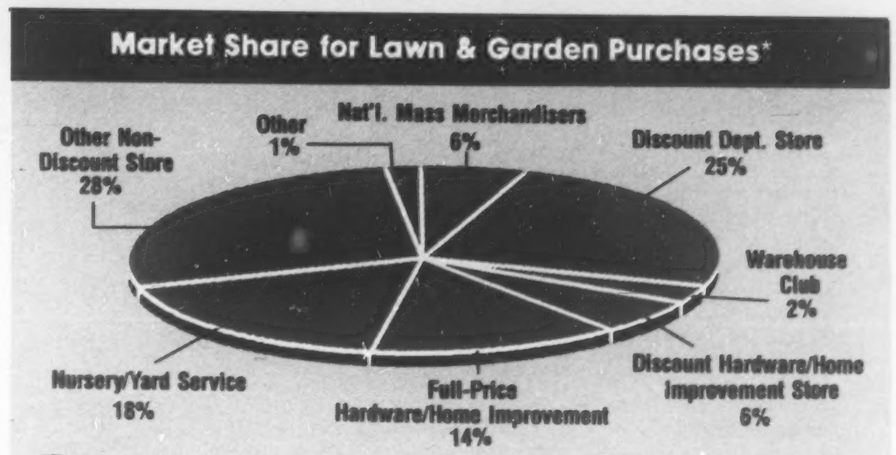
Demographically, those who spent the highest percentage of their L&G dollars at discounters were: white-collar workers, 44%; those aged 21 to 34, 42%; those with four or more family members, 40%; those making less than $30,000; 40%; and managerial and professional employees, 39%.

In comparison, blue-collar workers directed 32% of their L&G dollars and 39% of their total spending to discounters, for a below par spending index rating of 83.

The least loyal discount customers are single people, who spent only 20% of their L&G dollars at discounters, and those age 55 or older, 29%.

Among those who last shopped for L&G supplies at a discount store, the most likely customer is someone age 35 to 54, who makes $30,000 to $50,000 in a blue-collar job, and has two or three dependents.

Those who last shopped at a discount home center for L&G tend to be college graduates who earn more than $50,000.


Market Share for Lawn & Garden Purchases*
Other Non-Discount Store 28%
Other 1%
Nat'l. Mass Merchandisers 6%
Discount Dept. Store 25%
Warehouse Club 2%
Discount Hardware/Home Improvement Store 6%
Full-Price Hardware/Home Improvement 14%
Nursery/Yard Service 18%
*Type of store in which consumers who bought lawn & garden products in the past year made their last purchase.
Source: Leo J. Shapiro & Assoc.

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Details are set forth in specific agreements. These offers are practical and usable by all retailers regardless of size. You may now be performing under an agreement, and payments are being made to you or your headquarters or wholesaler on your behalf. In some instances, wholesalers commingle these funds for the benefit of all their retail customers.

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Health Care Sector
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Paper Sector
Soap Sector

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Vol. 31, No. 6 March 16, 1992

When you give blood
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another anniversary,
another talk with a friend,
another laugh,
another hug,
another chance.

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***Seasonal area at** ShopKo's new Oregon store: Upscale decor with a warehouse-style ceiling.* (DSN photo)

ShopKo Heats Up Northwest

Salem Retailers Also Brace for Wal-Mart, Pace, Costco

SALEM, Ore. — ShopKo pumped up the discount competitive pressure in Oregon's capital last month by opening the first Vision 2000 prototype store built from scratch.

Including two units in Eugene, and one in Bend, in the western part of the state, ShopKo now operates four of its 110 units in Oregon.

The new, 115,000-sq.-ft. ShopKo beat by a few months the opening this summer of Wal-Mart's first store in the capital. As ShopKo held a soft opening March 8, workmen were installing flooring in a new Wal-Mart about three miles to the north. Wal-Mart invaded Oregon March 3, with its first two stores in Lebanon and Klamath Falls (see accompanying story).

ShopKo also faces Salem's first warehouse clubs: Costco which opened last month, and the first Pace Club, which opens April 10.

Indicating that ShopKo stands willing to compete in the same markets with Wal-Mart, the chain has applied to the Urban Renewal Authority in Arvada, a Denver suburb, for a permit to build a store in a former unit of the now-defunct Buyer's Club. Denver, of course, is a stronghold of Target, as well as Wal-Mart.

Besides ShopKo, consumers in Salem, population 106,000, have their choice of: three Fred Meyer units, two Kmarts; two Bi-Marts; two G.I. Joe's, a hard lines discounter specializing in automotives and sporting goods, and one each of Target, Sears, Montgomery Ward, Biz-Mart, Best Products, Costco and soon Pace.

"They're under seige and don't know it yet," said Cynthia McBurney, retail specialist for the Oregon Downtown Development Association.

(Continued on page 42)

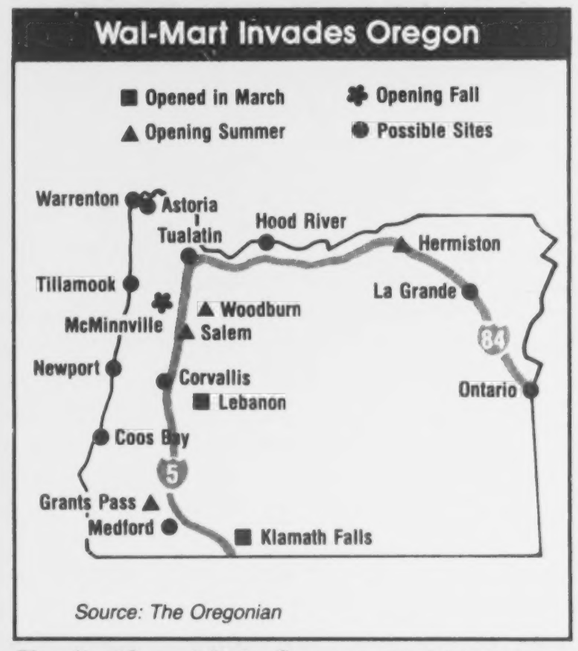
Wal-Mart's Own Oregon Trail

By Richard Halverson

LEBANON, Ore. — Wal-Mart took the last step in becoming a national chain, launching its long-awaited invasion of the Northwest by opening its first two stores in Oregon.

With the addition of Oregon, Wal-Mart now operates discount stores in 40 states representing all major U.S. census regions.

Wal-Mart also operates Sam's Club in 43 states and has announced it will open at least one club in Idaho at Idaho Falls. So far, though, it has announced no plans to build clubs in Oregon, although state officials pick up reports that Sam's is coming to do battle with locally based Costco of Kirkland, Wash.



***For its thrust into Oregon,** Wal-Mart chose rural enclaves along major interstate highways.*

Wal-Mart will open three more Oregon units this summer and two others in the fall.

The Oregon Downtown Development Association in Portland said Wal-Mart is "actively seeking real estate" for 11 more stores for a second round of openings next

(Continued on page 41)

Earth Day Comes Down to Earth

By Jill Lettich
Nationwide DSN Report

Where have all the flowers gone? Or the balloons? Or the big ticket sweepstakes?

Retailers are still looking for the right environmentally friendly formula for promoting Earth Day, April 22, but the big festivities that took place on the 20th anniversary of the event in 1990 seem to have disappeared.

During 1992, there are likely to be quieter Earth Day celebrations with fewer boisterous promotions. Retailers are relying more on product manufacturers to take the lead. And the retail corporate office is letting individual stores celebrate at their own pace.

The day will be characterized by some new "green" product introductions. In addition, coupons and other giveaway promotions for "green" products are being instituted by some manufacturers and retailers.

Rather than a sign of waning interest in the environment, these smaller efforts represent a shift of focus from single event marketing to more year-long efforts. Many manufacturers have directed their efforts inwards through educational efforts or internal recycling programs.

"Every day is Earth Day," said Jamie McNaughton, vice president, McNaughton Inc. "There is less hoopla about the

(Continued on page 39)

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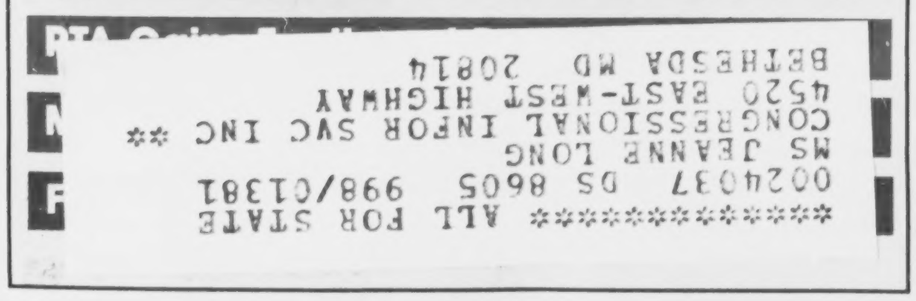

Bush Honors Walton in Bentonville

***President Bush** recently awarded Sam Walton, founder and chairman of Wal-Mart, the Medal of Freedom as first lady Barbara Bush looked on during ceremonies at the retailer's headquarters in Bentonville, Ark. The Medal of Freedom is the nation's highest civilian honor.* (AP photo)

Antonini Praises QR Benefits at '92 Show

By Arthur Markowitz

CHICAGO — Kmart's practical benefits from using Quick Response, along with manufacturers' latest technology offerings, highlighted QuickResponse '92, the annual conference and expo which is co-sponsored by AIM USA and VICS.

Joseph Antonini, Kmart chairman and ceo, in his keynote address, cited some benefits that are the direct result of the retailer's use of QR technology.

Symbol Technology's hand-mounted RF bar code scanner can talk with a host computer.

Kmart began QR in 1978 when it launched an EDI program. It installed scanning chainwide in 1990 and subsequently initiated a QR relationship with vendors. These include:

- Development of a purchasing database that allows merchants to "quickly differentiate between hot-sellers and duds," resulting in better merchandising and inventory flow.
- An automated inventory replenishment system in which the chain's network of distribution centers supply 75% to 80% of store merchandise, with 90% as its goal. The DCs supply 100% of the apparel and 50% of the hard lines, and the target is 90% for all of Kmart's merchandise.
- Faster turnaround for orders. Two years ago, orders were filled in five to seven days. Now, all Kmarts receive daily deliveries and most orders are filled in 48 hours, enabling stores to maintain a 99%-plus in-stock position.
- Forming "cross-functional business teams that interact daily" and are "empowered to effect change." Their mission, he said, is "eliminating all non-value adding costs, from the point of suppliers' purchases of raw materials to the consumers' store level purchase."

Kmart's 'Partners in Merchandise Flow' program, Antonini said, is a "bold approach in that we are the only one of a very few mass merchandisers who are empowering our vendor base—allowing *them* to place orders and replenish inventory on the data available through QR technologies.

"Kmart top executives, often including myself, meet with our supplier partners to review our results and establish new strategies," said Antonini. "Our success is built on trust and confidence in each others' ability to achieve mutually beneficial goals—for sales, margins, market share, reduced costs and net profit."

The bottom line is "we're communicating at all levels," he declared.

Looking ahead, he said that Kmart plans a "full system integration, using existing resources where possible" to de-

(Continued on page 42)

ShopKo Floats $200M Debt To Repay Former Parent

GREEN BAY, Wis. — By floating $200 million in long-term notes, ShopKo took a second major step last month to sever financial ties to is previous parent, Super Valu.

Under terms of the offering, filed with the SEC last month, ShopKo will use the $197.2 million net proceeds of the 10-year notes to repay revolving credit loans from Super Valu. Issued in two series of $100 million each, the notes carry interest rates of 8.5% and 9.25%.

Super Valu spun off a 48% minority interest in ShopKo last November, and ShopKo had to use the proceeds from the IPO of its stock to remit $281 million in retained earnings to its parent.

ShopKo intends to fund store expansion with "internally generated cash flow supplemented by borrowings," from banks, rather than from Super Valu, states the prospectus.

In its first rating of a ShopKo debt, Moody assigned an investment grade rating of Baa2.

The rating is "based on ShopKo's position as a regional discount store operator, its relatively low leverage given its 80%-owned store base and its ability to successfully operate large discount stores with good margins, earnings and cash flow," Moody's said.

Stein Mart Eyes Public Offering

JACKSONVILLE, Fla. — Stein Mart has filed with the SEC to sell a 26.7% stake in the discount soft lines chain to the public and would use the proceeds to pay out all of its retained earnings to its chairman and his wife and pay off all long-term debt.

Under terms of the initial public offering (IPO), chairman and chief executive Jay Stein would make a profit of about $11.25 million from the sale of 750,000 of his shares.

Stein and his wife, Cynthia, own 100% of the shares, indicating they are in line to receive all of the retained earnings that would be paid to existing stockholders, for total cash in hand of $36.75 million, if the IPO goes off as planned. Stein and his wife would retain a 73.3% stake in the company following the IPO.

The company itself, which operates 45 stores, would sell 3.25 million shares, for a total IPO of 4 million out of 15 million shares outstanding.

At an expected price of $15 per share, the company would realize about $45 million, net after underwriting commissions. After paying out the $30.5 million in retained earnings to Stein, the company would be left with $1 million in equity, the IPO registration statement discloses.

Stein Mart would use the balance of $14.5 million to pay off debt, including all of the $11.9 million in long term debt, the document shows.

None of the proceeds would go toward Stein Mart's expansion program, which consists of six to eight more stores in 1992 and seven to 10 more a year "for the next several years," the document indicates. Each new store requires outlays of $450,000 to $650,000, the filing with the Securities and Exchange Commission states.

Despite the recession, Stein Mart enjoyed a 15.8% gain in sales in 1991 to $225.4 million from $194.7 million the previous year. Operating profit rose to $15 million from $12.1 million in 1990. Same store sales rose 4.7%.

Other data from the SEC registration further illustrates a good year: operating profit margin improved to 6.7% of sales from 6.2% in 1990; and its S&GA expense ratio dipped to 21.4% from 22.6%.

Stein Mart prides itself as an upscale chain that "caters to fashion-conscious value-oriented customers who would typically shop at department stores and fine specialty shops." Its offerings include fashion labels, such as Ralph Lauren at 40% off list, and sterling silver giftware.

Stein Mart stores average 38,000-sq.-ft, the filing states. Sales per square foot averaged $186 last year.

Ladies apparel accounted for 31% of sales last year, while men's apparel produced 24%; gifts and linens, 16%; accessories, 11%; shoes, a leased department, 10%; children's apparel, 6%; and other, 2%.

Inventory turns in 1991 were 4.7, compared to 4.2 in 1987.

Stein Mart operates in 15 southern, midwestern and Rocky Mountain states, including Colorado, which it runs a store in Denver. For new markets through 1993, it has targeted: Dallas; Shreveport, La.; Atlanta; Cincinnati, Ohio, and Virginia Beach, Va.

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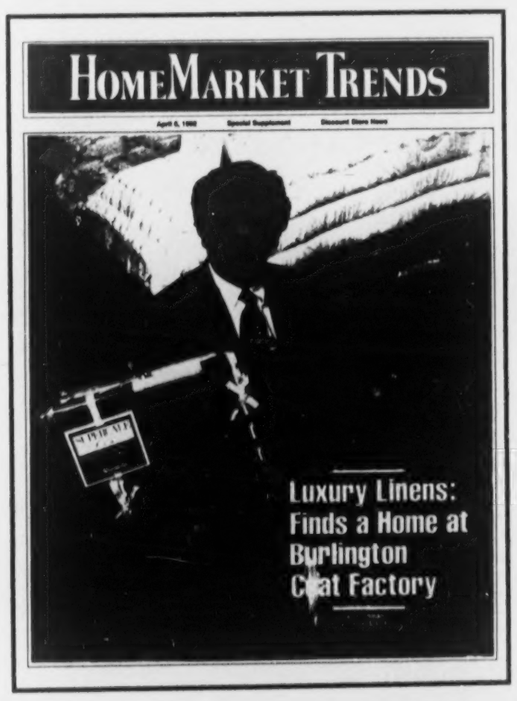

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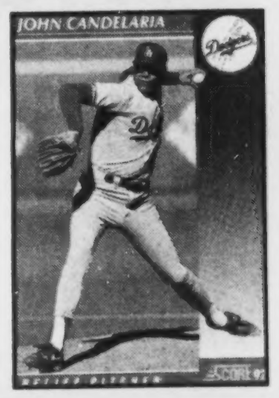

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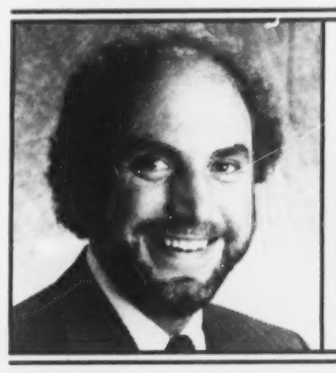
EDITORIAL

Getting a Very Different Perspective

We had been talking about political and economic issues (what else?) when the driver, who spoke more English than most cabbies in New York, pulled into Price Club's overcrowded parking lot in Ciudad Satelite about 15 miles from Mexico City.

"This is very busy store," said the driver, trying his best to speak proper English. "Señor, remember I am parked by the letter 'E,' " as he pointed to the standard blue Price Club sign.



TONY LISANTI
Editor

There was actually a line to get in to this new shopping concept for Mexicans which had been open just about a month (See Marketwatch, page 4). There are several differences between Price Club and Club Aurrera, which albeit may be minor, but significant to success.

- Parking—Price Club has three times the parking spaces.
- Size—Price Club, with 100,000 sq. ft., is almost twice the size of Club Aurrera and more a replica of its U.S. clubs.
- Merchandise Mix—Price Club has about one-third more skus and more U.S. products.
- Name recognition—Many Mexican shoppers are familiar with the Price Club name from its U.S. clubs, but don't immediately connect Wal-Mart or Sam's to Club Aurrera.

"Price Club is for the rich," proclaimed the taxi driver upon my return to the car. "The average person cannot afford even a membership. Look at the guy over there and most of these people here and all over Mexico," he said as the car hugged a sharp corner on two wheels. "He makes maybe 400,000 pesos a week. "How can he afford to shop Price Club?

"Price Club is for the rich. I was reading the directions, Señor, to get a card—doctors, lawyers . . .; you must be a big boss to shop there," he said with some resentment in his voice. "It is not the rich in Mexico, Señor, that need to get good prices, good products. It is the poor."

The rest of the ride was rather quiet. Even when I tried to explain the concept as it is perceived in the United States, it didn't seem to matter. We had discussed a lot of issues. But again he said, "My friend, we must help the poor. Señor, we must give them a chance to make better lifestyle."

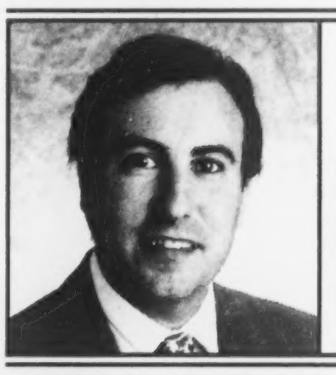
BUYERS & SELLERS

Wal-Mart Offers Private Label With Panache

Wal-Mart's launch of Sam's American Choice products and the less publicized expansion of its Equate line of health & beauty care reveals a merchandising revolution underway at the nation's largest retailer.

A research report by George Strachan and J. Scott Ehrens of Goldman Sachs outlines six factors behind Wal-Mart's decision to expand its private label offerings:

- Maintaining leverage with vendors: The development of private label programs should expand available vendor resources and thereby enhance Wal-Mart's bargaining position with suppliers.
- Guaranteeing another stable source of supply: Over time, the expanded offering of private label products could contribute to improved in-stock positions and faster product movement.
- Facilitating innovative product development: A private "control" label like Sam's American Choice will permit the company to bring its own spirit of innovation to its products.
- Appealing to a value-oriented consumer: A well-managed, private label program can enhance Wal-Mart's strong reputation for delivering value to consumers.
- Shopper receptivity to private labels: U.S. consumers are growing more receptive to high-quality, private label goods.
- Margin enhancement: Increased margins on private label merchandise will probably be used to reduce prices on national brand merchandise to maintain the company's position of price leadership in the discount store industry.



DON LONGO
Exec Editor

I've always felt that a quality private label can help a retailer build its customer franchise, especially in a down economy. Even Wal-Mart, which built its reputation as a national brand merchandiser, realizes it can only go so far footballing name brands. Wal-Mart's latest attempt of offering private label with panache mirrors the successful efforts of many supermarket chains that sell high-quality, gourmet-style private label products. Perhaps, though, Wal-Mart's private label initiative will give its competitors an opportunity to out-assort the discounter on national name brands.

TAKING STOCK

Taking Responsibility for News About You

When Newmark & Lewis closed two months ago, *Newsday*, a New York daily, erroneously reported that president Ron Fleisher had received his salary and severance pay while other employees' checks bounced. His check, of course, also bounced, but the newspaper's correction came too late to spare Fleisher some personal threats.

Everyone likes to read about newspapers' errors, mistakes that show journalists aren't Zeus. The *Newsday* bungle satisfied that craving. But it also pointed up the press' ubiquitous power for good—or bad—and how essential it is to make sure that journalists get the right information *before* they set pen on paper or appear in front of a minicam.

How often have politicians (Gov. Bill Clinton, for example) and companies (Dow Corning comes to mind) faced the need for 'damage control' to counter damaging stories. In such cases, consultants advise directly confronting the situation, responding quickly and honestly to questions. Johnson & Johnson's handling of tainted Tylenol packages a few years ago is a textbook example of successful "damage control".

ARTHUR MARKOWITZ
Senior Editor

It seems self-evident that a company with a positive story to tell would make every effort to get that information out—and to all media. Information is the common coin of all journalists, no matter what print or electronic megaphone they use. There also isn't any exclusivity in dispensing information: once a fact (or misinformation) appears in one report, it ripples through the entire community and influences everyone: those directly involved in a business like employees and suppliers and indirect participants like analysts, investors and journalists.

Many businesses have learned it's better to communicate beforehand than to blame afterward; it's better to respond to questions about "good news" expansion plans or "bad news" layoffs than to protest the stories that appear without a company's input. Zeus doesn't reside in any company. It's a tough crawl to reach the top of Olympus, but the fall can be precipitous and quick. Imputing the press doesn't cushion the fall.

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Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent **Kenneth Rankin**

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RTA

MERCHANDISING

High-End or Low, RTA's Hot at Discount

By Mary Ellen Kelly
Nationwide DSN Report

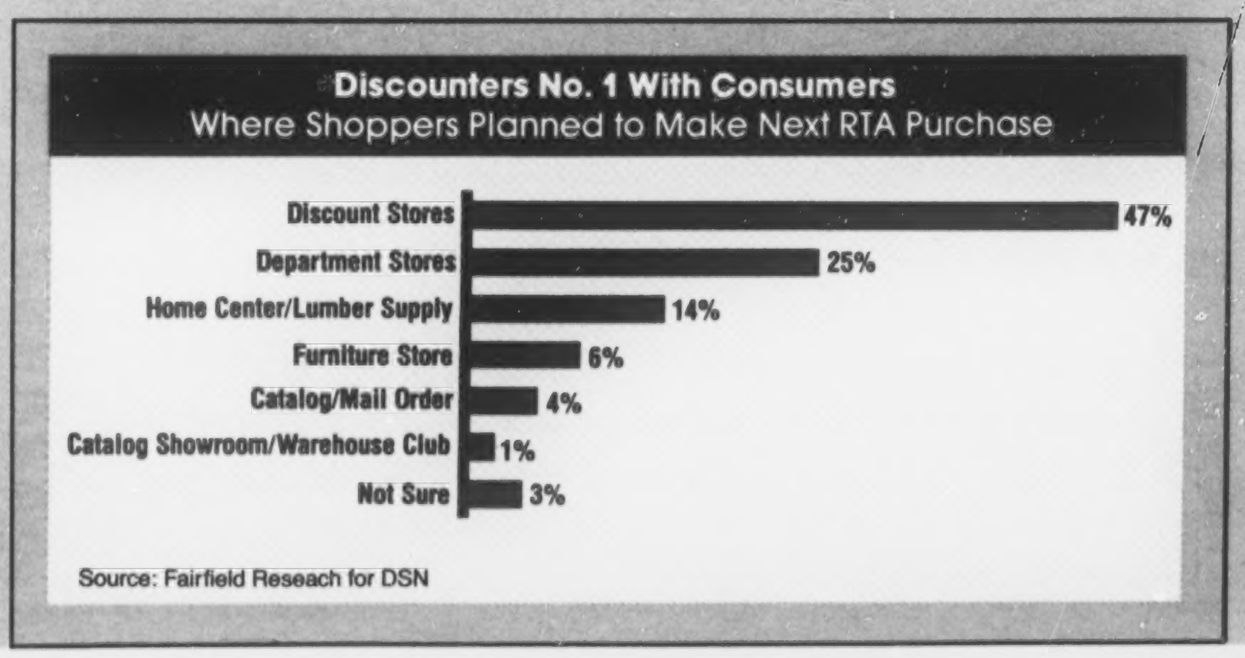
Are discounters trading up or trading down on RTA furniture assortments? Depending on the individual chain's history with ready-to-assemble furniture, some regional full-line discounters have opted to differentiate themselves by offering pre-assembled, higher ticket furniture, while others are intensifying efforts to provide basic RTA at hot price points.

Regardless of approach, discounters are the primary store that consumers visit when shopping for RTA furniture, according to new research conducted for *DSN* last month by Fairfield Research, Lincoln, Neb. Forty-two percent of consumers surveyed said their last purchase of RTA was at a discount store. When asked about where they would make a future purchase of RTA, an additional 5% of the survey population (47% total) said they would shop at a discounter.

Forty-two percent of consumers surveyed said their last purchase of RTA was at a discount store.

Caryn Sandler, buyer of home decor at Hills, the Canton, Mass.-based discounter now reorganizing under Chapter 11 protection, said the chain has expanded and "revamped the entire department," and is focusing on "moderately priced" RTA. The price ceiling was raised slightly to $129.97, she noted, but the vast majority of merchandise is concentrated at opening price point levels. In some of its remodeled stores—which are projected to comprise 46 of Hills' total 154 units by back-to-school season—square footage for the department has been increased by about 10%.

Upscale RTA was expanded at Waccamaw and tested by other chains. (DSN photo)


Discounters No. 1 With Consumers
Where Shoppers Planned to Make Next RTA Purchase
Discount Stores 47%
Department Stores 25%
Home Center/Lumber Supply 14%
Furniture Store 6%
Catalog/Mail Order 4%
Catalog Showroom/Warehouse Club 1%
Not Sure 3%
Source: Fairfield Reseach for DSN

"My philosophy is to satisfy customer needs. I am on a never-ending quest," said Sandler. Her "quest" is expected to lead to new white finished pieces for kitchen or bedroom applications. She will be looking for new white finished and niche items to test at remodeled stores at the upcoming International Home Furnishings Show in High Point, N.C., this month.

Sandler projected that furniture department sales at Hills could be up by 15% or more for 1992.

Jamesway's buyer, Roshan Wijerama, said he is also developing his opening price point business and expects to find additional niche items at High Point. Metal furniture and computer desks which sold well during the second half of last year at promotional prices between $49 and $69 will be expanded, as will juvenile furniture.

"One of the most successful promotions we run are the $19.99 items from Affordable Furniture. Even if we run it every month, it always sells well. Low priced promotional furniture is our bread and butter," he noted.

The new Jamesway "store of the future" prototype, two of which opened last week in Delaware, roughly doubled the size of the typical Jamesway RTA department, which averages 2,000 sq. ft.

In contrast, at nine-unit, southern California regional discounter Fedco, the RTA category is more of a promotional section than a full category, according to Philip Jick, executive vice president, director of merchandising. "We have less than 100 sq. ft., mostly items like entertainment centers, TV stands and occasionally a desk on promotion."

The reason for Fedco's scant RTA mix is its dedication to the traditional furniture market. "Your Furniture Store," which is operated as a separate store, devotes be-

(Continued on page 23)

RTA MERCHANDISING

Discounters Pushing Both High and Low-End RTA

(Continued from page 21)
tween 10,000 and 20,000 sq. ft. to as many as 15 vignettes each of bedroom, dining, upholstery and other traditional furniture settings. While the assortment is composed of traditional pre-assembled furniture, the prices are discount, said, Larry Crink, general manager, Your Furniture Stores.

Swallens is another regional discount store chain which handles RTA more as a promotional item than as a category, while focusing on a furniture selection that rivals better furniture galleries. The Cincinnati-based nine-unit chain—which typically occupies small three-story buildings—frequently uses its ground floor as a traditional furniture showroom. The chain has four buyers for office, juvenile and home furnishings.

By devoting footage to upscale furniture—both RTA or pre-assembled—these discounters are luring upper income households into their stores, according to *DSN* research.

Contrary to common beliefs, the research indicated that as annual income increased, so did the likelihood that a consumer would purchase RTA. About a third of households with less than $20,000 annual income purchased RTA, while about 45% of households with more than $75,000 annually, reported purchasing RTA.

Despite the greater incidence of purchase among affluent shoppers, discount stores continue to command the lion's share of the market, with 42% naming a discounter as the place they made their last purchase.

Department stores (26%—which include 6% mentions for Sears and Montgomery Wards combined) and home centers (13%) were the second and third most often named stores, respectively. And because RTA is a product which, unlike most other goods, has its origins in discount retailing, as the category grows in popularity, discounters are apt to be the first place a customer decides to investigate an RTA furniture purchase.

The Northeastern and Western regions of the United States were found to have more consumers who have purchased RTA furniture within the past year—36% and 34%, respectively. The South and Midwest were found to have 29% and 26% of respondents buying RTA last year. Households with children were more likely to purchase RTA than households without children—36% as compared to 26%.

Bookcases/shelving, entertainment centers, desks/computer desks and TV stands were the four most frequently purchased RTA pieces.

Unclaimed Freight Leases New Space

BETHLEHEM, Pa. — Unclaimed Freight, a 13-unit discount furniture retailer, has signed a five-year lease to take on 144,000 sq. ft. of warehouse space in the Allentown Commerce Park, (formerly the Mack Trucks Manufacturing Plant).

The warehouse will eventually be equipped as the chain's distribution hub to its five-state trading area. The retailer's East Hartford, Conn., warehouse will continue to ship customer deliveries. Richard Welch, chairman of the board noted, "Increasing our warehouse capacity was inevitable, considering the rapid growth we've experienced in the past two years. The chain projects sales in excess of $55 million in 1992, due in part to reformatting its Somerset, N.J., store, relocating its Reading, Pa. unit and opening "several" new locations during the balance of 1992.

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Wal-Mart Opens 2 Oregon Stores

(Continued from page 1)
year, or a total of 18.

Wal-Mart also has announced sites for two discount stores in Idaho, Rexburg and Moscow, which is only two miles from Pullman, Wash. Wal-Mart thus will affect Washington retailers before it opens its first store there, said Dick Larner, director for the Washington State Downtown Revitalization Program, a state agency.

Since Christmas, Wal-Mart has been running TV ads and Sunday circulars urging Washingtonians to buy merchandise cheap at Wal-Mart but without mentioning any store locations, Larner said.

Wal-Mart "absolutely" will come to Washington, Larner predicted, with perhaps six stores by the end of 1993. But Larner said he has been unable to confirm any of the many rumored sites, and Wal-Mart remains tight-lipped about its plans there.

In Oregon, Fred Meyer, Portland, Ore.; Bi-Mart, Eugene, Ore.; and G.I. Joe's, Wilsonville, Ore., along with Kmart, will feel the most heat from direct competition in the seven towns Wal-Mart selected for its first stores, as well as in the other 11 possible markets. In two of the known markets, Wal-Mart also will compete directly with Target and ShopKo.

True to its roots, Wal-Mart picked rural enclaves for six of its first seven stores in Oregon. Lebanon and Klamath Falls, where Wal-Mart opened March 3, boast populations of 10,500 and 16,600, respectively.

Populations of the other four are: Grant's Pass, 14,997; Hermiston, 9,408; McMinnville, 14,080; and Woodburn, 11,196. The exception is Salem, the state capital, population 106,000.

The chain will open its Salem, Hermiston and Woodbridge stores this summer.

Portland, with a population of about 500,000, is the only major population center in the state. Among the possible 11 additional markets, only one, Tualitin-Wilsonville, is near Portland, about 20 miles south.

The others are: Astoria; Coos Bay; Corvallis; Hood River; La Grande; Medford; Newport; Ontario; Tillamook; and Warrenton.

Their populations range from 2,493 for Warrenton to 40,960 for Corvallis.

If Wal-Mart succeeds in securing stores in those other markets, it will have blanketed the state, with the exception of the lightly populated southeastern sector. And Wal-Mart even is looking for store sites there, said Cynthia McBurney, retail specialist for the Oregon Downtown Development Association (ODDA).

Of the 18 known and possible sites, 11 cluster along the two major interstates in Oregon, I-84, looping across the northern part of the state and I-5, the highway linking Washington, Oregon and California. The five exceptions, including Newport, Coos Bay and Astoria, are fishing and tourist towns on Oregon's scenic coast.

Store sizes of the first seven Wal-Marts in Oregon vary widely: Hermiston, 73,000 sq. ft; Lebanon, 94,700 sq. ft; McMinnville, 101,000 sq. ft; Woodburn 102,000 sq. ft; Salem, 119,000 sq. ft; Klamath Falls, 119,500 sq. ft; and Grant's Pass, 122,000 sq. ft.

Lebanon is still suffering from the loss of a Lebanon plywood plant five years ago, and its jobless rates stands at 9%. About 4,500 people applied for 185 Wal-Mart jobs paying at or slightly above Oregon's minimum wage of $4.75 an hour.

Except for localized lawn and garden offerings, such as a "distorted filbert" (a twisted, snake-like plant), $46.97, and moss and slug killers, you'd hardly know you were no longer in Kansas once you set foot in the Lebanon Wal-Mart.

Associates were lamenting that their store carried no licensed apparel from either the Portland Trailblazers or the University of Oregon in Eugene. "We're trying to get the manager to order some," one associate said.

The store was featuring Wal-Mart's spring promotion, Rollback America, a campaign that rolls back prices on selected items within various categories. A ceiling-hung sign depicted a Wal-Mart associate rolling up his sleeves and proclaiming that Wal-Mart is rolling back prices.

Wal-Mart is backing the rollback promotion with a national network TV campaign.

Shelf-talkers mounted on the tops of gondolas promoted the before and after prices of a variety of health and beauty care products.

Some examples: Ultra Slim Fast diet drink, 11 oz., was 99 cents, now 88 cents; Visine Eye drops, 0.5 oz., was $2.97, now $2.64; Maalox, 12 oz., was $4.78, now $3.97; and Soft Shave, 8 oz., was $2.12, now $1.82.

Traditional Sports Chains Retreat

(Continued from page 6)
trates the megastore threat Herman's faces.

This month, Sports Authority will open in Wayne, N.J., the first of 10 to 12 superstores slated for the metro New York market, Herman's home territory. Sports Authority now operates 36 stores of 40,000-sq.-ft. and expects to be running 54 by year-end.

SportsTown plans to open 10 to 12 more megastores over the next 18 months, said chairman Tom Haas. SportsTown now operates 13 units ranging from 42,000 sq. ft. to 68,000 sq. ft in three markets, Atlanta, Dallas and Houston.

Founded in 1987, SportsTown generated its first annual profit last year on sales of $88.1 million. To fund expansion, SportsTown filed last month to go public. In a registration with the SEC, the chain disclosed intentions to raise a net of about $18 million through the sale of 1.9 million shares, or a 41.4% stake.

Another superstore chain on the march is Sports Unlimited, Tampa, Fla., owned by Investcorp, a Mideast holding company funded with Arab oil money. Sports Unlimited is building a 20th unit in Charleston, S.C. Store sizes include 40,000 sq. ft., 45,000 sq. ft., 50,000 sq. ft. and even 85,000 sq. ft. (in Oklahoma City), said president Jim Bradke.

Privately owned Sportmart, Niles, Ill., is another chain that is opening nothing but 40,000-sq.-ft. stores. Sportmart now operates 25 units, 13 in Chicago and 12 in Southern California.

Even money-losing Oshman's, the only publicly owned, independent sporting goods chain, plans to open primarily superstores. The Houston-based retailer now operates two SuperSports USA units of about 80,000-sq.-ft. in Texas and plans two more this year.

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Vol. 31, No. 7 April 6, 1992

Discount Retailing Chain Stock Analysis Table

Exch	Company	Ticker Symbol	Closing Price 3/2/92	Closing Price 3/23/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	52-Week High	52-Week Low
NYS	Alexander's (L)	ALX	24.63	19.50	−5.13	−20.81	—	0.00	0.00	37.50	16.63
NYS	Ames Dept. Stores	ADD	0.50	0.38	−0.13	−25.00	—	0.00	0.00	14.13	0.25
NYS	Autozone	AZO	38.88	38.75	−0.13	− 0.32	50	0.00	0.00	42.00	13.13
NYS	Best Buy	BBY	21.63	26.75	5.13	23.70	28	0.00	0.00	35.38	8.50
OTC	Brendle's	BRDL	2.75	3.00	0.25	9.09	18	0.00	0.00	4.00	2.00
NYS	Burlington Coat	BCF	21.38	22.38	1.00	4.68	12	0.00	0.00	22.75	11.25
NYS	Caldor Corp.	CLD	16.75	16.38	−0.38	− 2.24	—	0.00	0.00	24.75	12.63
NYS	Circuit City Stores (H)	CC	31.38	34.25	2.88	9.16	26	0.08	0.23	34.75	16.13
OTC	Clothestime Inc. (H)	CTME	11.75	11.13	−0.63	− 5.32	30	0.00	0.00	13.25	3.75
OTC	Cosmetic Center Inc.	COSC	13.25	14.38	1.13	8.49	22	0.00	0.00	15.25	6.00
NYS	Consolidated Stores (H)	CNS	15.25	16.00	0.75	4.92	36	0.00	0.00	16.38	4.25
OTC	Costco	COST	37.50	38.50	1.00	2.67	49	0.00	0.00	42.66	22.91
NYS	CUC Int'l (H)	CU	33.63	33.50	−0.13	− 0.37	42	0.00	0.00	35.25	20.13
NYS	Dayton Hudson	DH	67.88	62.88	−5.00	− 7.37	16	1.52	2.42	80.25	55.75
OTC	Deb Shops	DEBS	10.00	9.50	−0.50	− 5.00	17	0.20	2.11	16.13	8.88
OTC	Dollar General	DOLR	25.00	26.75	1.75	7.00	26	0.16	0.60	28.88	9.88
OTC	Dress Barn	DBRN	12.00	12.38	0.38	3.13	18	0.00	0.00	15.50	7.75
OTC	Drug Emporium	DEMP	8.00	8.25	0.25	3.13	825	0.12	1.45	9.63	5.50
NYS	Family Dollar (H)	FDO	17.88	21.25	3.38	18.88	27	0.24	1.13	21.25	8.63
OTC	50-Off Stores	FOFF	26.50	27.75	1.25	4.72	46	0.00	0.00	32.25	6.66
OTC	Filenes Basement Corp.	BSMT	32.75	28.25	−4.50	−13.74	35	0.00	0.00	37.00	15.00
OTC	Fretter	FTTR	4.50	4.50	0.00	0.00	17	0.00	0.00	7.75	3.25
OTC	Good Guys Inc.	GGUY	20.25	17.25	−3.00	−14.81	20	0.00	0.00	30.00	13.25
NYS	Hills	HDS	1.50	1.63	0.13	8.33	4	0.00	0.00	2.00	0.50
NYS	Hilo	HLO	15.63	15.50	−0.13	− 0.80	19	0.00	0.00	16.63	9.38
NYS	Home Shopping Net.	HSN	7.88	7.25	−0.63	− 7.94	26	0.00	0.00	8.88	4.25
NYS	Jamesway (H)	JMY	6.00	6.13	0.13	2.08	—	0.00	0.00	7.63	2.50
NYS	K mart	KM	51.88	53.50	1.63	3.13	14	1.76	3.29	53.50	38.13
ASE	Lionel Corp.	LIO	0.50	0.38	−0.13	−25.00	1	0.00	0.00	3.63	0.25
ASE	L. Luria & Son	LUR	7.63	7.63	0.00	0.00	25	0.00	0.00	8.13	5.38
NYS	Melville Corp.	MES	51.25	49.50	−1.75	− 3.41	16	1.48	2.99	55.25	38.25
OTC	Meyer (Fred)	MEYR	26.75	27.50	0.75	2.80	15	0.00	0.00	28.75	15.75
OTC	Office Depot	ODP	54.88	51.50	−3.38	− 6.15	97	0.00	0.00	57.00	24.88
OTC	One Price Clothing (H)	ONPR	14.00	16.75	2.75	19.64	25	0.00	0.00	17.25	6.75
OTC	Oshman's Sport Goods (H)	OSHM	4.75	7.25	2.50	52.63	—	0.00	0.00	7.25	3.50
OTC	OW Office Warehouse	OWWH	11.50	9.50	−2.00	−17.39	—	0.00	0.00	15.50	5.75
ASE	Pamida	PAM	4.50	4.38	−0.13	− 2.78	438	0.00	0.00	6.00	2.50
NYS	Pep Boys (H)	PBY	21.25	21.00	−0.25	− 1.18	33	0.12	0.57	22.00	10.38
OTC	Pic 'n Save	PICN	19.25	17.88	−1.38	− 7.14	16	0.00	0.00	23.38	10.25
OTC	Price Company	PCLB	53.75	48.00	−5.75	−10.70	18	0.00	0.00	65.25	43.75
OTC	QVC Network	QVCN	18.88	19.75	0.88	4.64	32	0.00	0.00	20.50	8.50
OTC	Rose's Stores (cl a)	RSTO	5.50	5.50	0.00	0.00	—	0.00	0.00	7.13	2.13
OTC	Rose's Stores (cl b)	RSTOB	6.00	5.50	−0.50	− 8.33	—	0.00	0.00	7.13	1.75
OTC	Ross Stores	ROST	20.00	18.50	−1.50	− 7.50	17	0.00	0.00	23.00	7.88
NYS	Sears (H)	S	43.63	46.50	2.88	6.59	14	2.00	4.30	47.88	32.50
NYS	Service Merchandise (H)	SME	14.38	15.38	1.00	6.96	14	0.00	0.00	16.13	7.63
OTC	S & K Famous Brands (H)	SKFB	18.25	19.00	0.75	4.11	16	0.00	0.00	19.25	11.00
NYS	Shopko Stores	SKO	16.25	16.25	0.00	0.00	9	0.55	3.38	17.25	11.75
OTC	Sprouse-Reitz	STRSQ	4.00	4.00	0.00	0.00	—	0.00	0.00	14.38	1.00
OTC	Staples Inc.	SPLS	32.50	33.50	1.00	3.08	—	0.00	0.00	35.75	15.88
NYS	Stop & Shop	SHP	16.38	15.88	−0.50	− 3.05	—	0.00	0.00	17.88	10.88
OTC	Strawbridge & Cloth.	STRWA	23.50	24.75	1.25	5.32	26	1.08	4.36	28.50	20.50
OTC	Stuarts Dept. Store	STUS	2.00	1.56	−0.44	−21.85	—	0.00	0.00	2.25	0.25
NYS	Syms	SYM	12.00	11.38	−0.63	− 5.21	14	0.00	0.00	12.63	8.38
NYS	TJX Cos.	TJX	18.13	19.25	1.13	6.21	19	0.44	2.29	20.38	13.88
NYS	Toys "R" Us	TOY	34.00	34.63	0.63	1.84	30	0.00	0.00	38.75	25.00
OTC	Tuesday Morning (H)	TUES	18.00	16.38	−1.63	− 9.03	24	0.00	0.00	18.75	6.00
NYS	Value City Dept. Stores	VCD	20.13	17.75	−2.38	−11.80	20	0.00	0.00	25.00	8.94
NYS	Value Merchants	VMI	31.13	26.00	−5.13	−16.47	25	0.00	0.00	42.25	13.00
NYS	Venture (H)	VEN	32.88	30.88	−2.00	− 6.08	12	0.52	1.68	33.75	15.63
NYS	Waban	WBN	24.00	24.13	0.13	0.52	24	0.00	0.00	25.75	14.38
NYS	Wal-Mart Store	WMT	54.00	52.63	−1.38	− 2.55	38	0.20	0.38	59.88	37.13
OTC	Warehouse Club	WCLB	0.88	0.78	−0.09	−10.74	—	0.00	0.00	1.75	0.25
NYS	Woolworth	Z	28.88	30.88	2.00	6.93	—	1.08	3.50	34.38	23.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. (cl a) = Class A stock. (cl b) = Class B stock. Note: STOR Furnishings was acquired and removed from our list. Costco completed a 3-for-2 stock split.

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Sam Walton: 1918-1992

By Arthur Markowitz

BENTONVILLE, Ark. — Samuel Moore Walton's death last week ends an era for Wal-Mart during which the 74-year-old entrepreneurial merchant, one of the nation's premier executives, directly led the business he founded over three decades ago.

Wal-Mart's unique corporate culture, the business principles and methods Walton honed since he opened his first store, a Ben Franklin franchise variety store in 1945, will continue to guide the $44 billion retailer.

S. Robson Walton, Walton's oldest son and a Wal-Mart vice chairman who was named chairman to succeed his father, said that "no changes are expected in the corporate direction, control or policy." A similar assurance came from David Glass, president and chief executive officer.

Walton added that "no family sales of Wal-Mart shares will be necessitated by reason of Mr. Walton's death." The family owns about 38% of the company's stock.

Sam Walton died April 5 at approximately 8 a.m. in the University of Arkansas Medical Science Hospital in Little Rock, Ark., of multiple myeloma, a bone marrow cancer.

Walton battled two different types of cancers. He was first diagnosed in the early '80s with hairy-cell leukemia, which attacks white blood cells and weakens the immune system. Two years ago, multiple myeloma was discovered, but he remained an active participant in Wal-Mart's business until his "health significantly deteriorated over the past three to four months. He died after being hospitalized for a few days," the company told callers in a prerecorded message.

In 1990, Sam Walton, always the consummate cheerleader, praised his Wal-Mart team at a gathering held at one of their store openings.

President Bush on March 17 presented Walton with the Presidential Medal of Freedom, the nation's highest civilian award, citing the retailer as "an American original who embodied the entrepreneurial spirit and epitomized the American dream."

That spirit blazed forth in the early '60s as Walton, already the largest Ben Franklin franchisee with over one dozen stores, watched the retailing industry resonate with discount stores, an innovative format that was already shaking the foundations of the variety store business.

The concept piqued his entrepreneurial interest. He visited a number of the pioneering chains and discussed this merchandising method and its potential for tonnage sales in talks with manufacturers.

It didn't take long before Walton, his marketing instincts already sharpened by his 22 years of retailing experience, became convinced that the concept would change the world of merchandising and become the natural successor to variety stores.

The general consensus among discounters was that the format wouldn't work in small towns and rural areas. But Walton intuitively felt that this new type of marketing also had a place in rural communities. He decided in 1962 to launch a discount operation in the same small markets where he already ran variety stores, a move that epitomized the original thinking that has always marked his retailing style.

(Continued on page 6)

INSIDE THIS ISSUE

Staying on Target for 30 Years

When Dayton Department Stores founded Target in 1962, little did it realize that 30 years later the chain would become one of the top three discounters in the nation. With the help of many talented executives throughout its history, Target added a new upscale spin to the discount concept and has been a forerunner in merchandising, marketing and community service. This special section goes back to the chain's infancy and traces the path Target traveled in establishing itself as a leading
ture of thi
page 35.

Glass Carries on Walton Legacy

By Richard Halverson
Nationwide DSN Report

Wall Street has taken the death of Sam Walton in stride, confident that he had institutionalized the principles that made Wal-Mart successful. (See page 4 for reactions of retailers and manufacturers to Sam Walton's death.)

The lack of stock market reaction to his death also suggests that the institutional investors that own 29% of Wal-Mart stock also retain confidence in the ability of the management team led by David Glass, whom Walton appointed as ceo in 1988, to maintain the momentum generated during his four years at the helm.

The swift action of the Wal-Mart board in apting S. Robson (Rob) Walton to replace his er as chairman proved to the investment munity that the family remains committed ıe Wal-Mart Corp.

David Glass

Through a series of trusts, the Walton family owns 38% of the company stock, and Rob Walton will represent the family's interests, while Glass continues to run the company, just as he has been for the past four years.

Including family and institutions and directors and employees (about 4%) 71% of all Wal-Mart stock remains in the hands of sophisticated investors who are aware that the loss of Sam Walton's inspirational leadership won't check the company's growth.

In a reassuring statement on behalf of the family, Rob Walton praised Glass. "All of us are so fortunate to have such a capable management team. I think you would agree that David Glass is one of the best management talents in all of retailing today. Our management team, under David's leadership, will continue to lead our efforts to better serve our

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Industry Leaders Remember Pioneer Sam Walton

"I met Sam after I opened my third store about 28 years ago. He came in and introduced himself as a country boy from Arkansas who had a few stores of his own but wanted to learn about the business and wanted to know if I would share information with him. That was when he started taking notes, a habit that was replaced with a tape recorder years later."

—Herb Fisher,
Chairman, Jamesway, Secaucus, N.J.

By Laura Liebeck

A veteran retailer of 47 years and a consummate entrepreneur who changed the face of American retailing, Sam Walton endeared himself to many who knew him and knew of him.

Whether he was considered friend or foe, Walton was always respected for his drive as well as his accomplishments and was referred to often as "Mr. Sam," a combination of familiarity and esteem.

Herb Fisher,
Jamesway chairman

President George Bush called him "an American original" and a "captain of commerce as successful in life as in business" last month when he traveled to Bentonville to award Walton the Presidential Medal of Freedom, the highest civilian award of the United States Government. Bush again complimented the Wal-Mart founder upon hearing of his death.

"Sam Walton was an American original who embodied the entrepreneurial spirit and epitomized the American dream. His commitment to family and selfless giving to others is an example to us all."

Closer to home, Arkansas Governor Bill Clinton, who is running for the Democratic party nomination for president, commented on Walton's many contributions to Arkansas, Wal-Mart's home base. Clinton also recognized Walton's contributions to community, citing the Wal-Mart founder for "improving our economy and expanding educational opportunities for our young people."

Wal-Mart president and chief executive David Glass issued the following statement: "Only his family meant more to Sam Walton than his beloved associates. Literally, his second home was a Wal-Mart store somewhere in America ... We miss him deeply. But what he taught us, instilled in us: to respect the value of each individual, that the customer is always right, and the love for God and country, will live on forever."

Joseph Antonini,
Kmart chairman

Outside Wal-Mart, emotions often ran very deep, with retailers and manufacturers referring equally as often to Walton's humanity as to the entrepreneurial spirit that made him a fierce competitor and business success.

"Sam always had respect for his retail competitors and unique relationships with his suppliers," said Warren White, executive vice president and general manager of Clover. White, who is also chairman of the board of the International Mass Retail Association, added, "While a fierce competitor, he was a friend to all who would truly serve customers in a better way. It is to that simple yet intensely persistent love of serving customers that we pay our tribute."

Robert Verdisco, president of IMRA, said: "Sam Walton has not only made the industry more prominent and successful, but his contributions and presence have made the world a better place."

Noted Jack Shultz, executive director of the National Retail Federation and president of its retail services division: "We saw Sam as the great entrepreneur of our industry. That man is owed a great deal of credit by the industry, suppliers and the customers for the innovations that he has brought to our business."

Robert Soelter, former chairman of Duckwall-ALCO whose relationship with Walton dates back to the 1960s, recalled a merchant eager to share information with a fellow competitor:

"I remember a time when we were planning a new warehouse and we were welcomed to come observe Wal-Mart's warehouse in Bentonville and Sam Walton would suggest ways in which he would have changed things if he were building it again, and giving us advice. I have a great deal of respect for someone who set the highest standards in our industry ... He made us the best we could be."

Longtime friend Joe Nusim, now the president of Channel Home Centers, first met Walton in 1971. The former Jamesway and Makro executive recalled his first impression of Walton as being a strong mixture of business drive and down home gentleness, a man who thought as much about his business as he did his associates.

"He knew everything about his business and had determined even then that he would have a multi-billion company when others thought in the hundreds of millions."

Added Nusim: "I don't know anyone who didn't like Sam Walton. He was a man of his word."

Even the vendor community, which views Wal-Mart as arguably the toughest negotiator, had nothing but respect for the man and his vision.

"We feel that one of Sam's greatest contributions to Wal-Mart, to the industry and to Rubbermaid in particular, was his attitude toward experimentation. He constantly encouraged us to experiment on a small basis and if the idea

(Continued on page 6)

Rob Walton Assumes Father's Post

BENTONVILLE, Ark. — Wal-Mart's board of directors lost no time in maintaining the Walton family's direct involvement in the company by naming S. Robson Walton as chairman to succeed his father, Sam Walton, who died the previous day.

Walton, known as Rob, is 47 years old and is Sam Walton's oldest child and the only one involved in the company's management. He had been vice chairman since 1982 and a Wal-Mart officer and director since 1978, when he joined the company as legal counsel.

He received an accounting degree from the University of Arkansas in Fayetteville in 1966 and a law degree in 1969 from Columbia University in New York. He worked for a Tulsa, Okla., law firm before joining the discounter, where he also served as secretary and senior vice president prior to becoming vice-chairman.

While Walton never took on major operational responsibilities at Wal-Mart, he often accompanied his father to store openings and participated in annual meetings, including delivering a business outlook report at last year's gathering. As vice chairman, he has been involved in the company's expansion program, helping to selected sites for new stores.

Rob Walton had long been expected to succeed his father; a few years ago Sam Walton had even considered stepping down as chairman to facilitate such a move.

Walton's election reflects both his personal involvement with Wal-Mart and its top management and the Walton family's interest in the company. Walton Enterprises Inc., a family-owned company, controls 38% of Wal-Mart's stock, worth about $23 billion and paying about $93.5 million in dividends.

S. Robson 'Rob' Walton

Walton and Wal-Mart president and chief executive officer David Glass respect each other and have developed a close working relationship. That affinity reportedly played a key role in Glass being named president and ceo in 1988 over Jack Shewmaker, then the discounter's vice chairman.

Since illness forced Sam Walton to curtail, and in the past few months stop, making his renowned inspirational visits to stores and leading the Saturday morning meetings at headquarters, Glass and Donald G. Soderquist, vice chairman and chief operating officer, have taken over these tasks.

Rob Walton is married and has five children, including three from a previous marriage. He had been an all-state football tackle in high school and is a regular handball player. He participated in the 1986 Ironman Triathlon in Hawaii, finishing 510th out of 1,039.

Sam Walton's other children are John T., 45, who owns a boat building business in San Diego; James C., 43, president of Walton Enterprises and Alice, 42, president of the Fayetteville investment banking firm Llama Co., that was mainly funded with family money.

A trust set up in 1990 divided ownership of the family's stock investment in Wal-Mart among Sam Walton and his four children, each with equal voting rights. The trust specifies that no family shares can be sold without approval of other stockholders holding 70% of the shares.

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MARKETWATCH

Jamesway Taps Hollis as Prexy

SECAUCUS, N.J. — Peter Hollis was named president of Jamesway, the 122-unit Northeast discount chain. The announcement came after a grand re-opening of two new Jamesway protoypes in Claymont and Newark, Del., early this month.

Hollis, formerly president and ceo of Ames, joined Jamesway in October 1991 as executive vice president, merchandising, advertising and store operations. The chain reported a net loss of $1.2 million for fiscal 1991, compared to a loss of $17 million a year earlier.

Hills Profits Down After Restructure

CANTON, Mass. — Hills, the 154-unit discounter which has been reorganizing under Chapter 11 for the past 14 months, reported sales of nearly $1.68 billion for the year ended Feb. 1, 1992, down from $2.14 billion the previous year when it operated 214 stores.

Operating profit for 1991 was $56.6 million, down from $67.7 million a year earlier. Net income for 1991 was $22.5 million compared to a $273.7 million loss in 1990. Hills filed for Chapter 11 bankruptcy on Feb. 4, 1991, and soon after closed 68 stores.

Stop & Shop Inks Interest Deal

BRAINTREE, Mass. — Bradlees parent Stop & Shop has negotiated interest rate cuts on a $1.6 billion bank credit line intended to help fund supermarket expansion and Bradlees' remodeling program over the next six years. Bradlees operates 129 units in the Northeast.

Caldor Bags Nathan's for 50 Units

NORWALK, Conn. — Caldor has agreed to install Nathan's Famous restaurants in as many as 50 stores over the next five years.

Units will range from 120-sq.-ft. hot dog kiosks to 2,000-sq.-ft. restaurants seating as many as 60. Nathan's will open the first four by Memorial Day and five more in the fall.

Experts Say Economy is 'Crawling' Back

NEW YORK — Economists at a National Retail Federation conference on the 1992 Business Outlook agreed that the economy is definitely in recovery but warned that deep-rooted financial problems will cap domestic growth at about 3% this year.

A sampling of discount chains shows that March sales didn't match February's surge but comparisons to last year were hampered due to the lack of Easter sales, which fell into late March in 1991.

March 1992 Sales Results

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart*	18.0%	6.0%
Sam's Club	25.0%	9.0%
Kmart*	4.7%	(0.7%)
Pace	22.0%	11.8%
Sears	2.2%	3.2%
Target	17.0%	5.0%
Caldor	6.1%	0.2%
ShopKo	(6.5%)	(6.9%)
Venture	15.9%	3.4%
Best Buy	63.0%	24.0%
Ross Stores	9.0%	0.0%
Dollar General	17.4%	12.5%
Jamesway	3.0%	3.0%
Value City	(1.4%)	(5.7%)
Pic 'N' Save	(2.1%)	(2.8%)
Clothestime	10.0%	3.0%
Value Merchants	57.5%	(0.1%)
50-Off Stores	18.0%	(12.0%)

*Consolidated company results
( )—loss
Source: Company reports

Recalling Wal-Mart's Maverick

Walton Revolutionized Retail Industry, Work Relations

(Continued from page 1)

Wal-Mart was a new retailing direction for the young company Walton started after his discharge from the U.S. Army in 1945. Compared to executives running the older, long-established chains that comprised the variety store field, Walton was a newcomer to retailing, unfettered by any hoary rules on how to be a merchant or run a store.

Walton, however, brought two key ingredients to the new venture, his personal experience and his business background, which together formed the ambition that drove him to succeed and that made Wal-Mart in 1989 *DSN's* Retailer of the Decade.

***Samuel Moore Walton** was a believer in intense involvement and communication with employees.*

Walton's personal story began in Kingfisher, Okla., when he was born March 29, 1918, to Nancy and Thomas Walton, a farm-loan appraiser and a real estate broker. The family lived in several towns in Missouri while his father pursued his business. Walton grew up during the Great Depression and while his father struggled to keep food on the table, he helped by working at such jobs as delivering papers and milking cows.

Walton's business experience began 52 years ago in 1940 when, at 22, he graduated from the University of Missouri with an economics degree. He toyed with the idea of becoming an insurance salesmen, but changed his mind after applying for a job at JCPenney.

"I interviewed them. I liked what I heard," he recalled in an reminiscence in the Benton County Daily Democrat, a local newspaper, a few years ago. "I went to St. Louis and visited with the general manager and other folks there and they encouraged me and thought that I had the kind of talent that would be useful for them."

JCPenney offered Walton a trainee job at $85 a month and sent him to Des Moines, Iowa, where he worked for 18 months. He was "profoundly influenced" by the retailer's direct involvement with its employees, Walton told the Wall Street Journal in another interview.

Walton later applied the people management insights he learned at JCPenney in his own company. Enthusiastic, at times folksy, and when needed, forthright and straightforward, communication and intense involvement with employees became a Wal-Mart hallmark.

This philosophy pervades the entire company, right up to Walton himself. When he came down with hairy-cell leukemia, he wrote about his experience in his Message From Our Chairman column in Wal-Mart World, the company's employee publication. The September/October 1984 column includes, "On a more personal note, I received some wonderful news a couple of weeks ago that I'd like to share with you . . . my last tests indicated that the hairy-cell leukemia I have had is in complete remission at this time . . . I'm so thankful to you all for your prayers and support and well wishes in my behalf . . . I just wish I could thank you all personally and will try as I continue to make my Wal-Mart rounds."

This intense reaching out to employees at all levels of the company is unparalleled. "Wal-Mart is unique because we require involvement. There's a pressure to get involved. Whatever level you're at, you'll perform far better if you're involved and believe that you can make a difference. Sam and [his younger brother, J.L.] "Bud" had the philosophy in the first stores they opened," David D. Glass, Wal-Mart president and chief executive officer told *DSN* in an interview a few years ago.

When World War II broke out in 1941, Walton returned home to Oklahoma to await induc-

(Continued on page 117)

Walton Remembered by Peers

(Continued from page 4)

worked, roll it out. If it failed, try something else. It was his attitude of keep trying, and don't be afraid of failure, that propelled Wal-Mart and pressed us to some of our very best thinking," said Rubbermaid chairman and chief executive Walter W. Williams and president and chief operating officer Wolfgang R. Schmitt.

"It's truly a sad day for retailing; Sam was a pioneer of much that was good in this industry. He was a people person, and what he said came from the heart; there aren't that many people like that around," said Bob Gehm, senior vp at J.P. Stevens.

From Packy Nespeca, senior vp, corporate trade development at American Greetings, who knew Walton during his Ben Franklin days and the planning of the first Wal-Mart store: "The vision became a tremendous reality in retailing. Wal-Mart will continue to be a major factor in retailing for years to come because of his forward planning with the people he surrounded himself with to continue that vision."

Charles L. Peifer, vp and general manager, Corning Consumer Products-U.S., commented: "We were privileged to know and work with a true legend in the retailing industry. Sam Walton instilled a great tradition there at Wal-Mart, and we're confident that tradition will continue."

Added Procter & Gamble: "He was a pioneer who changed the face of the consumer products business. He understood, perhaps better than anyone else, how manufacturers and retailers can better serve the consumer by working closely together."

From Wal-Mart's fiercest competitors, Kmart and Target, the messages were equally respectful.

"Sam Walton has proven his determination to influence the American retail marketplace. He will long be recognized as an entrepreneur and an aggressive merchant during the most competitive era in our country's retail history. His Wal-Mart legacy is testimony to his spirit and leadership," said Kmart chairman Joseph Antonini.

"Sam was a legend—not only at Wal-Mart—but for anyone who has been involved in the retail industry. He was a leader, as well as a great competitor," said Bob Ulrich, Target chairman.

And from William Tyrrell, vice chairman of the board at ShopKo: "All retailers know that we have truly lost a great retailing entrepreneur. But those of us who were fortunate enough to be in our industry during Mr. Sam's phenomenal growth know that Wal-Mart and Wal-Mart competitors have lost a good friend, Christian and patriot. I am sure that at this moment Sam is looking down from that great retail store in the sky on all of us saying, "Give me a "W"; give me an "A"; give me an "L"; give me an "M"; give me an "A"; give me and "R"; give me a "T". God bless you Sam and rest in peace."

—Jill Lettich, Mary Ellen Kelly and Pete Hisey contributed to this article.

EDITORIAL

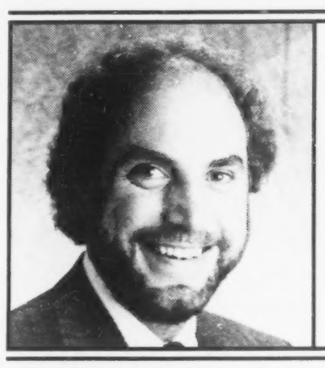
Sam's Voice Will Still Echo at Wal-Mart

The echo of Sam Walton's voice leading Wal-Mart associates in his famous cheer will always be heard and cherished throughout the aisles of every Wal-Mart store. "Give me a W," he would yell with that Arkansas twang, usually holding (or waving) a yellow note pad in one hand. "I can't hear ya," he would yell back at his associates, who all admired him for his sincerity, his interest, his knowledge.

This is what Sam enjoyed doing more than anything else: visiting stores, opening stores, leading the Wal-Mart cheer, and talking to his associates.

Whether it was flying from store to store or taking center stage at the Saturday Morning meetings, he reveled in the camaraderie. He loved to tell a story, and he loved to listen to one. Yet he personally shied away from the spotlight, unless it was shining on Wal-Mart.

He would often go to an extreme to make a point as he did Dec. 2, 1989, during a Saturday Morning Meeting at which *DSN* presented him with the Retailer of the Decade Award. Ironically, the story he told that morning—to a laughing, but intense group of executives—was the beginning of his bout with multiple myeloma, which eventually took his life April 5.



TONY LISANTI
Editor

The meeting began with Sam being carried out moaning and groaning and being dropped at the center of the stage. Sam was moaning about sales during the last week in November and the fact that they weren't too good—or good enough according to Wal-Mart's double digit standards. He challenged his associates, asking for a cure, for a better December and a record holiday season.

Sam was also moaning about an injury during a recent quail hunting trip as a result of being locked out of the trailer. He told his associates, "I had to climb through this small window, and my whistle got caught in my chest." It was the pain from this incident that led him to visit his doctor in Houston for a series of tests which resulted in the diagnosis of bone cancer.

From that point on, Sam continued to do what he enjoyed most—visit stores, talk to associates, and take care of business in Bentonville. But he also quietly focused on the future; the future of Wal-Mart, that is.

At the shareholders meeting in June 1990, he dramatically announced a 2 for 1 stock split and predicted that Wal-Mart sales would soar to $100 billion by the end of the decade. Meanwhile, behind the scenes, the stage was being set quietly for the transition to the day when Sam would no longer be active in day-to-day operations.

And that's what Wal-Mart faces. It will never be Wal-Mart without Sam, because Sam will always be there. His spirit, his philosophy, his style will never die. It was never affected by his cancer, nor was his company.

Sam made every employee a part of the company. Sam never lost touch with his employees or his customers. Sam made his actions speak louder than words. Sam never let the entrepreneurial spirit die. Nor will any Wal-Mart associate.

David Glass, the quiet, inspirational leader, and Don Soderquist, the eloquent speaker, student of empowerment, certainly never will. They will continue to lead and motivate a deep and talented roster of vice presidents to achieve Sam's goal.

Furthermore, the influence of the Walton family will always be present. Sam's wife, Helen, is an astute, sensitive and caring woman who will continue to deliver Sam's message. And son Rob, who among Sam's children has the most active role in the company, will, according to one executive, continue to grow and emulate Sam's style within his own personality and character.

Sam will be greatly missed, but his absence will not affect Wal-Mart.

Sam never wanted anybody to make a big fuss. When he learned of his cancer in early 1990, he immediately shared the news with all Wal-Mart associates.

That's the way he was. That's the way he will be remembered. That's the way he wanted it.

But remember to listen for the echo. "Give me a W." Listen.

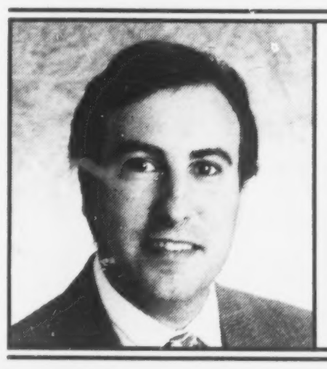
God bless you, Mr. Sam.

BUYERS & SELLERS

'Mr. Sam' Lived Every Minute to the Fullest

The list of Sam Walton's business and professional achievements could fill an encyclopedia. But, the real measure of the man Wal-Mart associates referred to as "Mr. Sam" is found in his spirit and his enthusiasm for life.

It's been said that the heart of creativity is not genius or intellect, but courage. During a retail career that spanned more than a half century, Walton showed the courage to veer away from the tried and true, and to lead when the solution is uncertain and the answers unknown.



DON LONGO
Exec Editor

The following quote from Ray Bradbury captures better than I can the love that Sam Walton shared with those around him:

"Imagine that you have been dead for a year, 10 years, one hundred years, a thousand years . . .

The grave and night have taken and kept you in that silence and dark which says nothing and so reveals absolutely zero . . .

In the middle of this darkness and being alone . . . let us imagine that God comes to your still soul and lonely body and says:

'I will give you one minute of life. I will restore you to your body and senses for 60 seconds. Out of all the minutes in your life, choose one. I will put you in that minute and you will live again, after a hundred, a thousand years of darkness. Which is it? Think. Speak. Which minute do you choose?'

And your answer is: 'Any minute. Any minute at all. Give me any minute in all my life. When I lived I didn't know that every minute was special, precious, a gift, a miracle, an incredible thing, an impossible work, an amazing dream. But now, like Ebenezer Scrooge on Christmas Morn, with snow in the air and the promise of rebirth given, I know what I should have known in my dumb shambles: that all is a lark, and it is a beauty beyond tears, and also a terror.

'But I dance about. I become a child. I am the boy who runs for the great white bird in the window, and I am the man that sends the boy running for that bird, and I am the life that blows in the snowing wind along the street, and the bells that sound and say live, love, for too soon will your name, which is shaped in snow, melt, or your soul, which is inscribed like a breath of vapor on a cold glass pane, fade.

'Run, run, lad, run, down the middle of Christmas at the center of life!'"

Until the end, Sam Walton ran for the great white bird in the window. Mr. Sam knew what it was like to run down the middle of Christmas at the center of life.

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BEAUTY CARE

MERCHANDISING

H&BC Report is Not Skin Deep

By Jill Lettich

Picture a retailer's worst nightmare: A disloyal customer not concerned with brand names; not particular about where or how often she shops and only mildly interested in value pricing.

This troublesome group has been termed "Low Involvements" by MPSI/Retail Systems, a Chicago-based marketing and consulting firm. But, in a recent research report on the H&BC market, the company reported that even this rather lazy segment of the population could be utilized to a retailers' advantage.

The research report, "The Rhyme and Reason of HBC Consumers," outlines the retailing opportunities for deep discount drug stores, mass merchandisers and other retail outlets selling H&BC. In addition, it reviews consumer behavior in H&BC purchasing.

Conventional drug stores remain the most often mentioned outlet for purchases, but the report confirms that mass merchandisers have become a growing influence in the marketplace.

"One thing that struck me about this report is that we seem to have come full circle in retailing," said Stephen Kotvis, director of marketing, MPSI/Retail Systems. "We started with a general store; then the industry became very specific: you went to one store for prescriptions and another for personal care products. Today, consumers can go to any store for virtually any need. The choice is not driven by product but by intangibles—price, location, cross-shopping opportunities. The retailers that best capitalize on these intangibles are the ones that will succeed."

The important intangibles vary according to different cluster groups, according to the survey.

Consumer Group	% of All Households	Consumer Mix at Mass Merchants	Consumer Mix at Deep Discount Drug Store	Consumer Mix at Conventional Drug Store
Bulk Heads	23%	28%	26%	21%
Middle Roads	20	27	19	20
Captive Immobiles	18	20	19	20
Low Involvements	15	12	11	10
Selectives	13	10	14	16
Active Elders	11	4	11	12

Source: MPSI/Retail Systems

***Phar-Mor, Philadelphia**—Deep discount drug stores and full-line discounters attract H&BC customers by offering product variety.* (DSN photo)

Overall, the report found that:

- Consumers typically shop for H&BC products six to 19 times a year with OTC and personal care purchases most frequent.
- Most H&BC consumers typically travel two to four miles to shop.
- The average annual H&BC expenditure is $818 per household.
- Most consumers (72%) "cross-shop" other non-H&BC products, with groceries, snacks and beverages as the most frequent choices.

There are specific motivations for these behaviors, according to the study. Low prices and a store's closeness to home are the most important reasons for selecting particular stores.

Quality brand name products and service play a more important role when consumers shop for prescription drugs and cosmetics. Store loyalty is critical to prescription drug consumers; they report long and loyal relationships with their pharmacies.

Opportunities for H&BC are also outlet specific. Observations by the MPSI/Retail Systems study included information on the strengths of each outlet. Different retailers serve different consumer needs. But, the company concluded that some changes were needed to best capture the right customer base.

Deep discount drug stores and full-line discount stores have similar "share of mind" among consumers, according to the report. The most obvious advantage of the mass merchant is the cross-shopping opportunity for consumers. According to the research, 25% of consumers who last shopped for H&BC at a mass merchant also reported purchasing a sporting goods product. MPSI went on to note that "this unlikely evidence indicates there may be some yet-to-be imagined opportunities to cross-merchandise products to H&BC customers."

Discounters are usually more conveniently located than their deep discount drug counterparts. These stores are on average, one mile closer to consumers' home than deep discount drug stores.

The report also noted that consumers who primarily shop for prescription drugs at mass merchants generally spend the most on this category per visit and annually.

Deep discount drug stores, on the other hand, are designed to compete as a no-frills, low price, broad selection retail concept and continue to compete best on these features.

Among the important "intangibles" in this outlet is the fact that deep discount drug stores are, or at least, should be, more accessible. Major highways and having other retailers nearby serve as more incentive for shoppers to travel to these stores. Discount drug stores are also known for their competitive pricing. The report suggests that every day low prices are more important than sales or specials in this outlet.

An opportunity exists in this outlet to expand pharmacy operations. The survey found that the same customers that frequently shop this outlet, also report going to a conventional drug store for prescriptions.

To their credit, deep discount drug stores are perceived as offering wide product variety; and as offering numerous cross-shopping opportunities. About 83% of the consumers who said they shopped this outlet said they also bought snacks, books, film, cards and paper goods.

The report suggests that because of the distance required to travel to many deep discount stores, these stores may need to look into special event promotions. In addition, this tier may be able to capture older, less adventurous shoppers by providing certain services: deliveries, transit to senior living facilities and wheelchair and shopping assistance.

Specifically, the report outlined six different customer clusters for H&BC products.

- The largest group, 23% of households, are termed the "Bulk Heads." They have modest educational levels (virtually no college graduates) and have a median in-

(Continued on page 31)

Cosmetics: How Far Will Customers Go?

Nationwide DSN Report

Cosmetics create special problems and opportunities for the retailer. It is the product category most fragmented and the one most affected by income and age demographics.

In "The Rhyme and Reason of HBC Consumers," MPSI/Retail Systems found that 27% of all cosmetic purchases are made at conventional drug stores; and another 23% are made at department stores. This represented primarily higher income consumers who place brand names high on their list of preferred characteristics.

Deep discount drug stores (14% of purchases) and mass merchandisers (12%) fall into a respectable third and fourth place, followed by supermarkets (9%).

The same brand-conscious consumer will travel

(Continued on page 31)

BEAUTY CARE MERCHANDISING

H&BC Report: Consumers Are Not 'Skin Deep'

(Continued from page 28)
come of $34,715. Half of those in this group are aged 30-44 and have at least three persons per household.

The "Bulk Heads" spend the most on H&BC, $865 annually, and travel the most often for H&BC products. They are especially attracted to the value and choices in deep discount drug stores (19% report shopping there) and mass merchandisers (20%). They are also the group most likely to shop in a wholesale club atmosphere.

The report found that in the this group was least of all groups to be concerned with brand names in cosmetics. They are willing to travel to save money for H&BC and are the most loyal, with 26% reporting they only shop one store. This group also shops most frequently, about 20 times per year compared to an overall average of 15 trips.

The report's advice to retailers servicing this group is to recognize the time and price constraints of this consumer and provide well-stocked shelves and an easy checkout.

- "Middle Roads" (20% of households) also shop mass merchandisers (24%), but are just as likely to frequent conventional drug stores. These are creatures of habit that spend about $860 a year. The income average of this group is $41,250 with somewhat higher educational levels. This is an older group with an average age of 60. The report found that this group travels the farthest for cosmetics, an average of 4.5 miles. The cluster will also travel for price savings.

Because their choice of retailers are more a result of habit, the report advises retailers that attracting this customer base requires aggressive promotions to point out the benefits of one store over another. This group generally does not shop more than one or two stores, so if a store gets them, it is likely they will keep them.

- "Captive Immobiles," 18% of households, spend below average in this category, $783. They name conventional drug stores as the most frequently shopped outlet, but again look to mass merchandisers and discount drug stores for pricing. Half of those in this category live alone; they are also the oldest of the groups, averaging 69 years of age. Understandably then, income is the lowest for this group, a median of $15,715.

For this group, shopping is a matter of need and convenience. They spend most of their H&BC dollars on OTC and prescription drugs and travel the shortest distance to their store of choice for these items.

Mass merchandisers have an opportunity to service this group, according to the survey, by offering price savings and making the shopping experience as accessible as possible.

- "Selectives," 15% of households, epitomize the fragmentation in the industry; they continue to shop different stores for different needs, spending $789 on average. Income levels are highest in this group, a median of $57,085 at an average age of 37 years. Fully 80% of this group are college graduates. Households average three to four people, generally with children under 18 still living at home.

This group travels the furthest for the items they want. They frequent department stores for brand name cosmetics, but will make short convenience trips for personal care products and are willing to pay more in this category for that convenience. This group is the least likely to cross-shop.

Deep discount drug stores and mass merchandisers that are conveniently located have an opportunity to service this group with prescription drugs and personal care products.

- As previously mentioned, the "Low Involvements" are not easily lured to any particular type of store, but do appreciate cross-shopping opportunities. They account for 13% of households, and spend the least amount on H&BC, $751, annually.

About 38% of this group is male, with incomes between $18,000 and $25,000. This is the youngest group, averaging 30 years of age.

Convenience is most important to this customer, who appreciates closeness to home and cross-shopping opportunities. Mass merchandisers and deep discount drug stores have a chance to capture this group's H&BC dollars by stressing the availability of other product categories in these stores.

- Finally, "Active Elders" rely on the service provided by most conventional drug stores. They account for about 11% of households and spend $777 a year. Also tending to be older, age 62, their median income is $33,890. According to the survey, this group is an older version of the "Selectives," who also seek stores out for particular needs. They are the least likely group to be motivated by price and closeness to home for personal care products and are drawn to brand name cosmetics in department stores.

As with their "selectives" counterparts, deep discount drug stores and mass merchandisers can attract this customer with convenient locations and broad product selections.

"It was surprising to find the wide range of consumers. There is a great diversity of behaviors and attitudes that require retailers to be much more aware of the customers out there," Kotvis concluded.

The survey is a result of over 1,000 telephone interviews conducted in the Tampa/St. Petersburg metro area. The area was chosen because its demographics (age, income and persons per household) most closely resembled the national average. In addition, the area has high concentrations of all levels of retail and share of market for these matched national average as well.

Distribution of H&BC Dollars by Cluster Group

Customer Group	Total	$ Spent Cosmetics	$ Spent Personal Care	$ Spent Prescription	$ Spent OTC Medication
Bulk Heads	$865	$186	$334	$180	$165
Middle Roads	$860	$178	188	383	111
Captive Immobiles	$783	103	142	421	117
Selectives	$789	172	232	232	153
Low Involvements	$751	192	290	145	124
Active Elders	$777	114	122	455	86

Source: MSPI/Retail Systems

***While drug stores** are most often mentioned for H&BC purchases, retailers, like Kmart, have become a growing influence.* (DSN photo)

Cosmetics: How Far Will Consumers Go?

(Continued from page 28)
over six miles on average to their preferred department store for cosmetics, two miles above the H&BC average.

Mass merchandisers, though they trailed discount drug stores overall, also rated an above average travel distance for cosmetics, just over four miles.

The important difference between the retailers, however, is that while cross-shopping for other H&BC products is standard with mass merchandisers and deep discount drug stores, it is unlikely with department stores, which have little or no H&BC selection in primary categories such as OTC drugs and prescriptions.

Cosmetics are shopped for less frequently than other products. The survey found consumers make an average 7.7 trips a year for cosmetics, compared to 15.2 trips for personal care items, 10.4 trips for OTC medications and 8.6 trips for prescriptions.

In terms of expenditures, cosmetics account for 19% of H&BC household purchases. About $161 is spent annually per household.

Other findings in the survey indicated that 38% of shoppers said that they select a cosmetics retailer based on low prices. There were other decision factors named as well: 28% said they chose a cosmetics retailer for its closeness to home; 25% named brand names; and 12% named the variety of products found in their outlet of choice.

A full 23% of those interviewed said that they only shop one store for cosmetics.

The last figure may be a bit deceiving. Despite the willingness to travel far and wide for cosmetics, these consumers also shop around. The 23% that shop only one store is below the 35% that are loyal to the store where they buy OTC medication; and far below the 68% that are loyal to the one store where they have prescriptions filled.

Among the consumer groups identified by MPSI/Retail Systems, "Bulk Heads" are relatively store loyal in shopping for cosmetics, but also consider price a critical decision factor in the category. This group spends 15% more on cosmetics than average.

"Active Elders" are the most loyal, with 73% in this group reporting they shop for cosmetics in only one store. This group is the least motivated by price.

"Middle Roads" are the least loyal when it comes to cosmetics and look for quality of personnel, sales and specials in determining where they buy cosmetics.

Typical of the "Selectives" group is a desire for quality brands and variety of choice in cosmetics purchases.

"Low involvements" are concerned with convenience and shop closest to home for cosmetics.

"Captive Immobiles" spend the least on cosmetics and make few shopping trips for cosmetics purchases.

Wall Street Unruffled as Glass Carries On at Wal-Mart

(Continued from page 1)
customers, our vendor partners, our associate partners and our shareholders in the future."

"Institutional investors have no worries whatsoever over Walton's passing," said Neil Nordby, president of Nordby International, Boulder, Colo. "The stock went up $1.25 the day after Walton died, indicating they were holding the stock. If they were worried, the stock would have fallen $5 in a minute."

Wal-Mart is perhaps one of the most popular stocks in America among institutional investors, Nordby said.

In the week following Walton's death, absolutely no signs appeared that institutions were unloading blocks of Wal-Mart stock, confirmed Terrence McEvoy, vp of research for Janney Montgomery Scott in New York. "Walton had early on planned for a transition to really competent management," McEvoy said. "He knew he wouldn't be there forever."

In a profile on Glass that *Business Week* published three weeks before Walton died, Glass said, "You can't replace a Sam Walton, but he has prepared the company to run well whether he's there or not."

Even though Glass wasn't appointed chairman, "there is no reason for him to leave, unless to retire," McEvoy said.

"Wal-Mart will just continue to be the juggernaut it is," McEvoy predicted.

The market's neutral reaction constitutes "a vote of confidence in management's ability to continue running the company without Sam," said Patrick McCormack, vp and retail analyst at Dean Witter.

If Wal-Mart stock had been sold off following Walton's death, "I would have been an aggressive buyer," said Bernard Sosnick, retail analyst for Oppenheimer & Co. in New York.

Wall Street knew for a year that Walton was seriously ill, Sosnick said. "The company did a good job of preparing the investment community" for his death, he added.

The photo of Sam Walton making his last public appearance March 17 "was worth 10,000 words," said Dorothy Lakner, a fellow analyst at Oppenheimer.

President Bush flew to Bentonville to confer on Walton the nation's highest civilian honor, the Medal of Freedom.

Rising from his wheelchair to accept the honor, Walton said, "We have to just keep working together. We've just begun."

You can never replace a charismatic company founder, Sosnick said, "but Walton set forth a course that others took up." He handed over responsibility for the day-to-day operation of the company in 1988, when he promoted Glass, Sosnick said.

"The solid management Walton put in place continues to run the business," he emphasized.

"Walton's greatest legacy was his credo of empowerment, pushing down decision making to the lowest level possible," Sosnick said.

During his four years as ceo, Glass has been responsible for overseeing the push into wholesale clubs and groceries through first hypermarkets and now supercenters, as well as the company's first foreign venture, a partnership with Cifra to operate wholesale clubs in Mexico.

Sales zoomed during the Glass years to $44 billion from $16 billion, while profits grew at a 26% annual rate to $1.6 billion.

The market value of Wal-Mart stock soared to $62 billion from $16.8 billion, almost a four-fold increase.

Glass joined Wal-Mart as chief financial officer in 1976 following his experience operating a drug store chain and owning a Holiday Inn motel. In 1984, Walton tapped him as his heir apparent by naming him as president and chief operating officer.

In doing so, he moved Jack Shewmaker from those positions to Glass' previous post, cfo, a sign that Glass had an inside path to the top. Shewmaker retired when Glass became ceo, as well as vice chairman, four years later.

Born in Mountain View, Mo., Glass shared small town roots with Walton. His father ran a feed mill, while his mother was a supervisor in a uniform factory.

When promoting Glass, Walton also promoted other key members of today's management team to positions of greater responsibility, additional moves intended to avoid a power struggle for succession if he were to step down as chairman.

Walton Builds Wal-Mart Into Behemoth

(Continued from page 117)
"A lot of believers are here today," he told the fired up audience that included over 2,000 employees that came from across the country at the company's expense. After the meeting, he and Helen held what became their last barbeque for employees on the lawn of their 5,500-sq.-ft. home in Bentonville, built in 1959.

Walton grew the company slowly and deliberately during the '60s, focusing on opening Wal-Marts in surrounding states and phasing out the Ben Franklin stores. By 1969, when Walton incorporated the company as Wal-Mart Stores Inc., there were only 18 Wal-Marts and 14 Ben Franklin franchise stores.

As the '70s dawned, Wal-Mart was still an unheralded chain, a mix of discount and variety stores doing $44.3 million in sales. But the Ben Franklins were phased out and in the next two decades Wal-Mart underwent its greatest growth, speading out from its lower Mississippi region base.

While Walton remained Wal-Mart's chairman until his death, he briefly gave up the chief executive title in 1974, but two years later reclaimed it. He relinquished the president and chief executive post in 1988 when he formerly stepped out of full-time corporate management and turned over day-to-day control to Glass and Soderquist.

Previously, in 1983, Wal-Mart entered a new era when it launched three Sam's Wholesale Clubs, its first major new venture since the old variety store chain opened its first discount store 21 years earlier. Sam's Club since then has grown into the leading wholesale club, a $9.4 billion, 208-club operation (with two joint ventures in Mexico).

Three years later Wal-Mart ventured into another merchandising arena, combo retailing of food and general merchandise. The initial probe was Hypermart USA, four of which were opened. The concept's fulfillment, however, is through the Wal-Mart SuperCenters, which debuted in 1988 in Washingtonville, Mo., and grew to six by the end of 1991. A dozen are on the drawing boards for this year as Wal-Mart fine tunes this operation and prepares it to become a key growth vehicle for the '90s.

The triad of stores made Wal-Mart the nation's biggest retailer in 1991, passing Sears to become a $44 billion business with more than 1,700 discount stores and Sam's Club warehouses nationwide.

Walton summed up the vision that was responsible for his accomplishments when he accepted an honorary Doctor of Laws degree in 1984 from his alma mater, the University of Missouri-Columbia. Wal-Mart's success "is a simple approach, in my opinion, that will help all of you and our great country to sustain our free enterprise, capitalistic system," said Walton. "We've got to involve our employees, we've got to communicate with our employees, we've got to make partners out of them day by day and do it in a meaningful way. And it works."

Walton has received many honors. As early as 1960 he was named "Arkansas' Success Story of the Year" by the University of Arkansas. In 1978 *DSN* named him Discounter of the Year and he became the second person inducted into the Discounting Hall of Fame, while *Retail Week* named him Man of the Year. In 1984 he received the Horatio Alger Award and in 1988 he received the National Retail Merchants Association's Gold Award, the first time the award went to a non-NRMA member. The next year *Financial World* magazine named him "Chief Executive of the Decade" and in 1991 he was inducted into the National Sales Hall of Fame. The Museum of Science and Industry plans to induct him into its National Business Hall of Fame.

Bentonville in 1983 held a "Sam and Helen Walton Appreciation Day" in honor of his civic activities, renaming a local stretch of U.S. Highway 71 "Walton Boulevard." He was active in the First Presbyterian Church of Bentonville and was a member and former chairman of the Arkansas Business Council.

The family held a private funeral Tuesday, April 7, at 10 a.m. in the First Presbyterian Church, followed by a memorial service at 3 p.m. for associates at Wal-Mart's headquarters and then a public service at 7 p.m. in the Bentonville High School Stadium. Glass said that Walton had "scripted" all three services.

Memorial gifts can be made to the Arkansas Cancer Research Center of First Presbyterian Church Endowment Fund for Missions. Account #1229 has been established in the Bank of Bentonville, P.O. Box 1229, Bentonville, Ark., 72712.

Cost Cutting Not Enough for Investors

(Continued from page 5)
dising operations in the United States, which accounted for 78.8% of the group's volume, also declined, off 1.3% to $24,757.3 million from $25,093.2 million.

But the cumulative effect of cutting costs last year paid off in a $600 million reduction in expenses and the group's income (net of minority income and equity in unconsolidated companies) jumped 84% to $473.4 million from $257.3 million.

Brennan resumed the top retailing post at Sears in August 1990 and since then the company has cut or plans to eliminate 43,150 jobs, a 13% reduction in its retail work force. This move is expected to save $840 million this year and $940 million in 1993.

Brennan's plan to boost sales—part of his twin pledge to lower costs and increase volume—calls for expanding the retailer's merchandising of name brands, along with more sharply priced specials to draw customers. It's also venturing into new merchandising territory, such as offering Apple computers, the first time that line has become a mass market item.

The growth plan includes opening six new Sears and eight replacement units, 17 new Homelife furniture stores—13 as free-standing units and four within Sears—and about 100 specialty stores from its mix of Western Auto, Eye Care Centers of America, Pinstripes Petites, Business Centers and paint and hardware units.

Sears' proxy statement noted that Brennan was entitled to a bonus last year, but withdrew from Sears' annual incentive bonus plan to "reflect the spirit of the salary freeze that was in effect for salaried employees" in the Mechandise group and corporate staff in 1991. But he was paid $979,847 and also received $391,206 as part of Sears' long-term incentive compensation plan.

The proxy also listed five shareholder proposals—all of which Sears opposes—that will go before the annual meeting May 14 in Atlanta.

The key one calls for the board of directors to determine Sears' value if it were broken up into seperate retailing and financial service companies and that shareholders be allowed to take "whatever action seems appropriate."

Sears contends a study isn't needed as its investment banker, Goldman Sachs, is already looking at Sears make-up and making suggestions to the board. A study, Sears added, would also harm its ability to raise funds, support its stock price and use assets.

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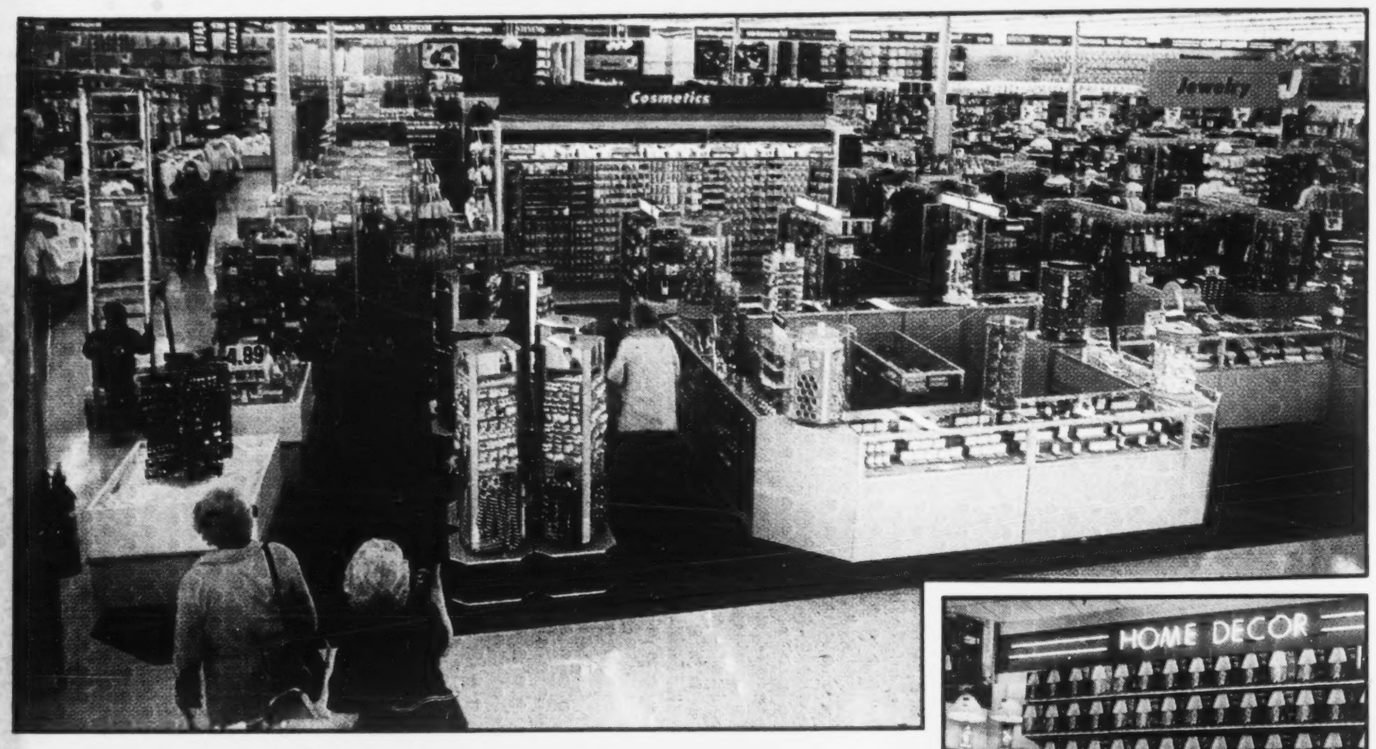

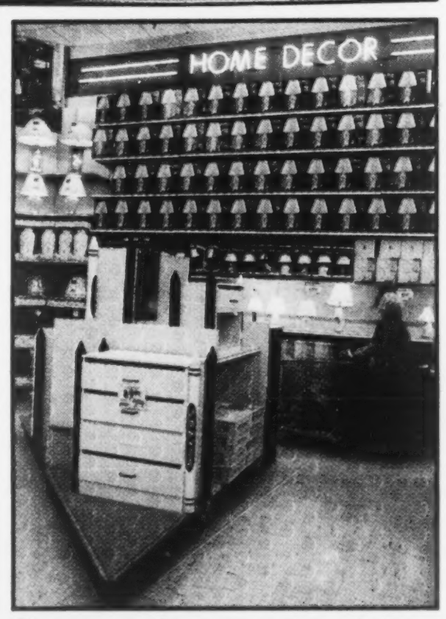

***Jamesway's newest** prototype (top photo), in Claymont, Del., its largest so far, has a new airier feel. Focal areas such as the home decor department (above) make use of previously 'dead' corners.*

Jamesway Revamps Stores, Management To Stave Off Rivals

By Jill Lettich

SECAUCUS, N.J. — Jamesway has capped a year-long restructuring of its top management team by promoting executive vice president Peter Hollis to president and by unveiling a new prototype store in Claymont, Del. The new prototype is one of two newly revamped units in the 122-store discount chain.

The management changes and the remodeling efforts emphasize Jamesway's organizational shift to soft lines, with increased space for apparel, domestics and crafts evident in the new format.

"The Claymont store is really our vision for the future," said Hollis.

Chairman Herb Fisher, who retains his chief executive officer responsibilities, has credited the soft lines area for increased sales in the last three quarters.

Jamesway has suffered from both mounting competition from large retailers such

(Continued on page 87)

McLane DC Feeds Wal-Mart Food Growth

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart's drive to become a major player in the food business, using its McLane Co. subsidiary as its agent, took firm shape with the discounter's plan to build a 704,150-sq.-ft. food distribution center in

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Value City Aim: Absorb Gee Bee

COLUMBUS, Ohio — Value City Department Stores, which Schottenstein Stores Corp. (SSC) took public last June, is absorbing what once was its sister chain, Gee Bee, Johnstown, Pa., and retiring its debt through a stock offering of five million shares.

In a primary offering, Value City intends to issue 3 million new shares, worth about $47.6 million at a recent price of $15.88 per share. Through a secondary offering, Value City will offer 2 million more shares valued at about $31.8 million, for a gross of about $79.4 million, before underwriting fees.

Of the 2 million, about 1.4 million will be new shares, while SSC will sell the balance of 600,000 shares from its 72% stake it retained when it took Value City public last June.

The New York firm of Donaldson, Lufkin & Jenrette is the lead underwriter on the offering.

Value City will use part of the proceeds of both offerings to acquire for $23 million most of the assets of Gee Bee, which SSC purchased out of Chapter 11 in 1990, and pay off the $25 million in Gee Bee bank debt it will assume. It will use $12.5 million of the proceeds to pay down the $30 million remaining of $50 million in SSC debt that Value City assumed upon going public.

In addition, Value City will use $6.7 million to pay costs of converting 13 of 15 Gee Bee stores to the Value City format and $5 million to equip an apparel warehouse it is leasing from SSC, according to the registration statement that Value City filed with the Securities and Exchange Commission.

(Continued on page 88)

PayLess Good Candidate for Spin Off

By Richard Halverson

WILSONVILLE, Ore. — As the most mature—and profitable—of the six Kmart specialty chains, PayLess Drug Stores is the most likely candidate to be spun off.

For the past 18 months, Kmart has been considering the sale of a minority interest in one more of its specialty operations as a way to boost its own stock price and still retain control of its subsidiaries. Despite a roaring bull market, investors are paying a multiple of about 10 to 12 times earnings for Kmart stock, down from 14.2 in 1987. Its price/earnings ratio compares with about 15 for Rite Aid and almost 20 for Walgreens, two comparable drug store chains.

If Kmart were to sell minority interests, in the range of 20% to 40%, in its specialty subsidiaries, PayLess, Builders Square, Pace Membership Club, Waldenbooks, Sports Authority and Office Max, Wall Street presumably would value the total of the separate parts higher than if the company were to remain one.

Kmart stock is trading at a 31% discount to Standard & Poor's 500-Stock Index, calculated Salomon Bros. in a March research report.

To generate interest within the investment community, Kmart has broken out the sales and profits of each subsidiary for the first time in its annual report. In addition, it is

(Continued on page 88)

***PayLess' 2,500-sq.-ft. apparel department**, in about 120 stores, is unusual for a drug chain and shares some features with parent Kmart.*

Independent Discounter Tackles Big Retail Fish

By Richard Halverson

LONGVIEW, Wash. — If you need any proof that Bob's Merchandise is no cookie cutter kind of discounter, check out the moose and elk heads mounted in the sporting goods annex to its single store.

And if you need any proof that a sole proprietor discounter can survive the onslaught of a multibillion dollar chain, listen to the saga of Bob Schlecht, who shot those trophy animals with his now-retired father, also named Bob.

A word first about Bob's and Longview, a blue-collar town dependent on the hard-pressed logging and salmon fishing industries in the nearby Columbia River, as well as recreation. The elk came from just a few miles outside town, the moose from Canada.

Back in March, Bob's was featuring "Elkoholic" T-shirts, $9.99, complete with an elk centered in a bull's eye target, even though hunters had to wait eight more months for elk season to begin. "It's always elk season" for elk merchandise, he said.

In 1947, Bob Schlecht Sr. began selling World War II surplus goods out of a tent. Bob's Merchandise expanded piecemeal without any particular plan until it occupied 60,000-sq.-ft. of selling space and 40,000-sq.-ft. of administration and warehouse space.

On outdoor tables beside the sporting goods annex, customers picked through an array of cheap "junk" under a banner that reads, "This Stuff Is So Cheap Bob Won't Let Us Put It in the Store."

Despite the put-down, Bob's is no hayseed operation, as a walk around the main store indicates. What multibillion dollar chain features Nikes and Levis at 20% off, everyday?

Signs inside and outside the store promote "fashion clothing" at 20% to 60% off.

Following piecemeal expansion, the store rambles every which way over two floors and a couple of levels, so it will never win any prize for efficient layout. An escalator lifts customers to the second floor, but their feet carry them down a flight of stairs that flanks a mural of a snow-capped mountain.

Merchandise displays, however, are spaciously laid out and well-maintained. Bob's excels at keeping its shelves stocked and the premises clean.

Moose and elk heads *(left) greet customers as they enter Bob's Merchandise. Owner Bob Schlecht (below) says he's prepared to tackle the big chain competition that is entering his area.*

Offering a sharp contrast to Bob's homespun ambience, a slick, regional mall came to the market three years ago in Kelso, just across a river from Bob's. Last year, a Target joined Sears, JCPenney and Emporium and Bon Marche department stores.

After the mall came to town, sales at Bob's slumped, and Schlecht was forced to become a sharper operator to not only survive but also thrive.

"Target had a real effect on us," Schlecht said, "but the pendulum has swung back. We changed an awful lot."

Guiding those changes was the knowledge Schlecht gained in earning a business degree from Washington State and a second degree in economics from the University of Maryland. Although Schlecht worked summers in Bob's stockroom, he went to work following college at Bon Marche, where he rose to divisional sales manager for women's sportswear after four years.

The biggest change was switching to an everyday low price policy from promotional, Schlecht said.

"Customers don't have to wait for a sale," Schlecht said, "and we're making as good margins as before. We're doing well because we sell for less."

From a customer relations standpoint, EDLP eliminated the unhappy customer wh complained she bought some thing last week for $20 only t see it go on sale this week fo $15, he said.

The switch allowed Bob's t slash advertising outlays t 1.6% of sales from 3%, savin $150,000 a year, Schlecht said Bob's also saved the labor cost of marking goods up and down Bob's reduced markdowns t 10% of sales from 30%.

Eliminating continual pric changes helped reduce shrink age to an enviable 1% of sale from 3%.

Bob's protects almost all ap parel with anti-shopping har tags from Sensormatic, h said. Soft goods account fo 55% of sales, and hard lin represent 45%.

Scanning registers are con ing in a year or two, he said.

"We also became bette shoppers and are getting bette

(Continued on page 87)

Phar-Mor Plans Expansion Into N.Y.

PITTSBURGH — Phar-Mor, the fast-growing deep discount drug store chain, will cap off 1992 with 60 new stores in two new states—Utah and New York—and several new markets including metro New York and Dallas.

Phar-Mor has confirmed that it will make its entry into the New York metropolitan market with a 67,000-sq.-ft. store in the South Hills Mall in Poughkeepsie, N.Y., about 90 minutes north of New York. The mall, realigned as a discount center, will soon be home to a new Service Merchandise catalog showroom and an enlarged Kmart. New tenants already include OfficeMax and Burlington Coat Factory.

The store is not expected to open until next year, said Carol Robinson, Phar-Mor's vice president, advertising.

Complete expansion plans for metropolitan New York have not been disclosed. However, Robinson said Phar-Mor is "actively looking at locations throughout the entire state of New York."

So far, Phar-Mor has signed a lease for a store in Henrietta, N.Y., in the Rochester market, slated to open in the fourth quarter.

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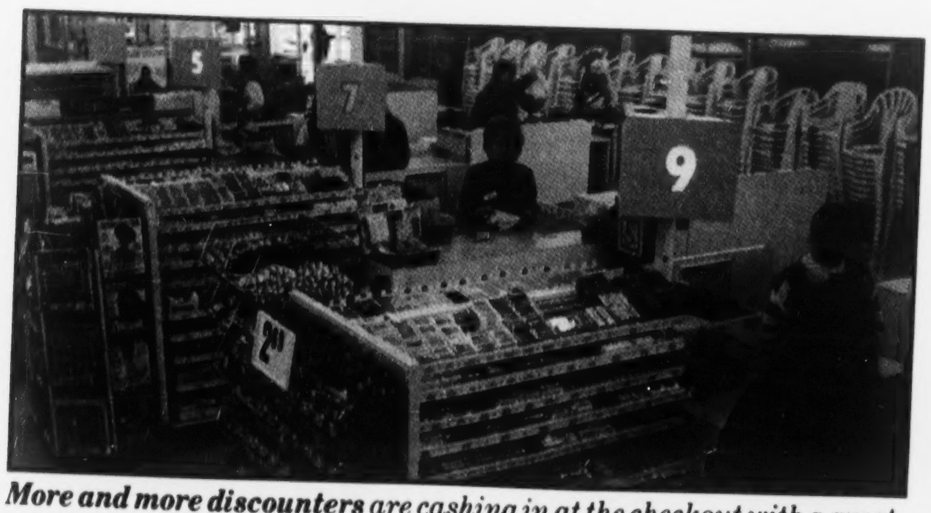

More and more discounters *are cashing in at the checkout with a greater assortment of impulse items. More on page 65.*

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EDITORIAL

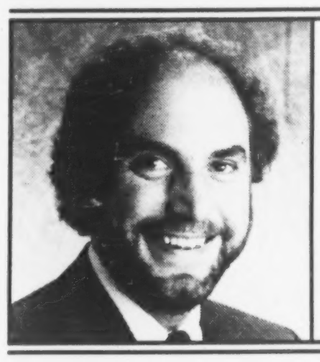
Redesigning to Survive in the 1990s

Singer and composer Peter Allen proclaims in the lyrics of one of his hits that "everything old is new again!"

And that could very well be the motto of the nation's discounters as they tinker and finetune their formats to be more competitive and contemporary. They realize that stores must be representative of retailing in the '90s, rather than the glory days of discounting in the 1970s. And so it seems that almost every discount chain from Kmart, the largest operator of stores, to G.I. Joe's, one of the smallest, is refurbishing stores and developing new prototypes.

This trend isn't just an exercise in store design, but a serious strategic step for survival in the 1990s.

Among the chains that have unveiled new looks in the past several months are Wal-Mart, Target, Ames, ShopKo, Venture, Hills, and Jamesway. And the list will continue to get longer. Several other chains, including Bradlees and Caldor, continue to make subtle changes in their stores.



TONY LISANTI
Editor

All of these new prototypes or remodeled stores share many of the same characteristics. They were designed according to the same basic criteria.

- Increase productivity. A key to every new format is to boost sales per square foot. Obviously, a more efficient layout and use of space is critical to generating more sales. Ideally, many discounters would like to boost sales per square foot well above the industry average of $160, to at least $200 per square foot.
- Enhance customer service. Most new prototypes boast a variety of features to help customers. They include: more accessible customer service counters; more telephones throughout the store for instant help; more sales help in jewelry and consumer electronics; changing tables in the restrooms; more benches or seating around the store; and better trained sales personnel.
- Utilize technology. In most new stores, POS systems are standard. Wal-Mart and Toys "R" Us are testing video carts, which also enhance customer service by helping to locate products by aisle. A few retailers are testing scanners around the store for instant price verification. Kmart is testing instant coupons by using a computer kiosk. And several retailers are offering product information (style, price, etc.) via a touch computer screen.
- Improve cross-merchandising. While this has always been a merchandising strategy, it is more widespread and complex than ever. For example, Wal-Mart is testing the merchandising of all Walt Disney licensed products in one area.
- Emphasize soft lines. Apparel and home products are undoubtedly the focal point of every new store format.
- Promote fashion and trends. There are more colors, brands and power displays touting the trends than ever before.
- Upgrade fixturing. There is a greater use of more creative department/specialty store fixtures that have enhanced fashion presentations and customer perception.
- Better signage. Almost every store utilizes better directional signs and/or color-coded department signs that make it easier for customers to locate merchandise.
- Easier to shop. Most new prototypes have wider aisles, better lighting and more amenities.

There's no doubt that customers want new and more contemporary stores. There's also no doubt that a new store can boost sales by as much as 20%. And there's no doubt that discounters are designing their way to a new decade of growth.

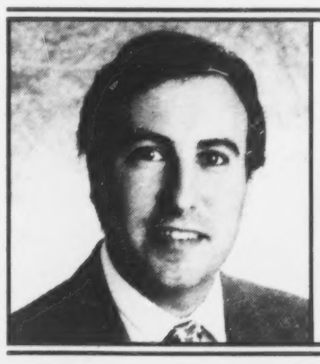
BUYERS & SELLERS

Chains Face Growing Pains in Unsettled '90s

As the calendar heads toward the half-way point of 1992, the state of the retail industry is far from settled.

In fact, just as economists at a recent National Retail Federation seminar were agreeing (yes, agreeing!) that the economy was in recovery mode, March retail sales released that day were highly inconsistent, ranging from solid comparable store gains of 24% for Best Buy, 12.5% for Dollar General and 11.8% for Pace, to disappointing declines of 12% for 50-Off Stores, 6.9% for ShopKo, and 5.7% for Value City.

James Annable, senior vice president and chief economist for The First Bank of Chicago, noted a few reasons for the resumption of economic growth. Lower interest rates have stimulated spending because lower carrying cost on existing debt means consumers have more spending income. "Each one percentage point decline in interest rates raises consumer spending by about $35 billion," said Annable.



DON LONGO
Exec Editor

Lower mortgage rates have stimulated home sales, which means people have a need for new furniture, appliances, linens, housewares, and other home goods.

Another stimulus has been the decline in oil prices. "The Saudis, who are interested in buttressing the political fortunes of George Bush, continue to pump 8½ million barrels a day of crude despite prices falling below OPEC targets," he noted. "A $5 a barrel reduction in oil prices, fully passed through and maintained for a year, is equivalent to a $30 billion tax cut."

Annable also maintained that the collapse of consumer confidence, as related in press reports and by the Conference Board Index, was overplayed and gave a misleading signal to economists. The 3.3% increase in retail sales during January and February—at the supposed height of consumer unrest—was the largest increase since the late 1970s, he said.

The big question, though, is: How sustainable is the economic recovery?

Annable cautions against expecting a major boom, such as the growth experienced in the '80s. Retailers shouldn't expect overall retail sales to grow by more than 3% for the remainder of the year, he predicted.

The 1990s will have very little in common with the 1980s. As in any mature market, growth will come to the businesses that can increase their market share, at the expense of their competitors. That's one of the reasons I haven't been too concerned about the lower earnings recorded by Target Stores last year. Since lowering its gross margin last summer, Target has become more price competitive with Wal-Mart, Kmart and other discounters. At the same time, the upscale discounter has raised its average sales per store to $20.5 million, from $20 million in 1990, sales per square foot to $202.20, from $198.80, and number of stores to 463, from 420. Target is making the tough decisions that adversely affect its short-term results, but will boost its long-term viability.

Another chain to watch is ShopKo, which, despite a sharp increase in competition from new Wal-Mart stores, has managed to profitably reposition itself with a new store prototype that better serves its generally educated, fashion-conscious female shopper. An intensive effort to take costs out of its distribution systems also enhances this regional chain's long-term prospects.

Other retailers will be making similar long-term decisions in the 1990s. "You have a very mature market, so price competition is very intense," noted Sharon Shaber, vice president of Washington-based The Futures Group. "Opportunity lies in new ways of putting merchandise together."

John J. Shea, vice chairman and president of Spiegel, added that many retailers have a Peter Pan complex. "There's a temptation among retailers to wish for the good old days," said Shea. "Depending on our ages, we each probably heard Mary Martin, Sandy Duncan or Cathy Rigby in Peter Pan sing, 'I don't want to grow up.' Sometimes I get the sense that a lot of retailers know those lyrics all too well."

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Fax # for News Releases: 212-756-5125

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Executive Editor Donald Longo
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Art Director Milt Berwin
Graphic Artist Maryellen Seery

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Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
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Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Office Manager Maureen Jackson
Area Manager Mary Fagnano

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION
Business Manager Roch Minieri
Director of Manufacturing Stan Kaufman
Production Manager Carlos Lopez

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Beverages Bubble Up

Price & Ease Lure Buyers to Discounters, Clubs, Drug Stores

On her way out of her local Caldor, Leslie Gaber grabbed a 2-liter bottle of Pepsi Free. She needed it anyway and this would eliminate her having to stop at the grocery store on her way home from work.

When Chicago resident Peter Ziobro runs out at lunch to pick up a few toiletry needs at the corner Walgreens, he often buys some of his favorite bottled water to help him through the afternoon.

Barry and Lori Smith shop at The Price Club in Edison, N.J., once every two months. On top of their list of "must have" items is a case of Diet Coke. It is not just the sharp pricing that lures them, but the convenience of having a large supply on hand.

These are just three examples of consumers purchasing beverages in a non-supermarket setting. According to research conducted by Leo J. Shapiro and Associates for *Food Merchandising*, these are not isolated cases.

The national sample of 450 households revealed that half of all households are making purchases of some beverages from a discount outlet; 27% from drug stores and 26% from warehouse clubs. Moreover, a significant 28% of those surveyed indicated they buy mainly from a discount department store.

How Much Does Your Household Spend in a Year on Beverages?	
Avg. of All Purchasers	$288
Consumers Who Buy Beverages at Non-Grocery Stores	$313
At Discount Dept. Stores	$297
At Warehouse Clubs	$374
At Drug Stores	$302

Source: Leo J. Shapiro & Associates for **FM**

Non-supermarket food customers appear to be big cola consumers, according to the research. Half of all users purchase colas from discounters, compared to just 37% of non-cola purchasers. Twenty-four percent purchase colas mainly from a discounter, compared with 18% for non-colas.

Retailers who reacted to the research noted that one reason for the impressive cola sales in non-supermarket outlets is that typically these fast-turning items are the products carried. While a discounter like Kmart or Target might not get too heavily into non-cola products, it is a safe bet that at least some Coke and Pepsi is always in stock.

The non-cola top scorers in the survey, however, included 7-Up, Sprite, Mountain Dew, and Dr. Pepper.

Although, Pepsi and Coke receive similar responses, the research shows that people who like Coke are more likely to purchase it from the discount store. Pepsi fans more often purchase the drink at warehouse clubs or drug stores. Pepsi also scored high with families who indicated they spend in excess of $300 a year on beverages. Almost 40% of those who spend in that range indicated they like to buy Pepsi.

Consumers are slow to catch on to the new "natural" sodas, such as the clear, carbonated offerings. Only 18% indicated that they purchase these new items, while 82% said they do not. That may all change, retailers noted, when Pepsi begins its test of a clear cola.

Despite the sharp sales spike on non-carbonated drinks, including

Kmart, Oak Park, Mich.: A local cola brand like Faygo gets space on discounter shelves.

Beverage Performance at Non-Grocery Stores

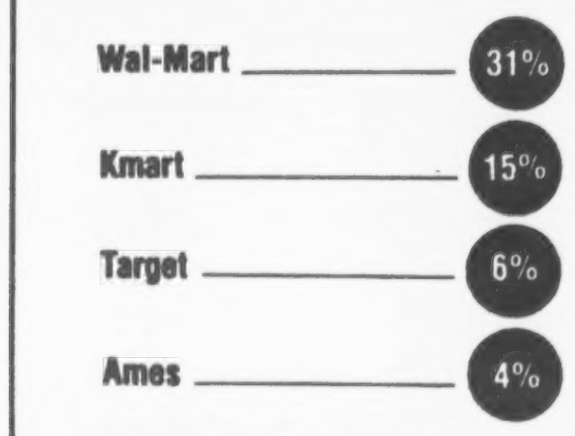
Percentage of Consumers Who Buy This Beverage at . . .

	Discount Dept. Store	Drug Store	Warehouse Club
Carbonated Cola	32% (76%)*	25% (79%)*	22% (71%)*
Carbonated Non-Cola	20% (35%)	17% (38%)	18% (44%)
Fruit Drinks	18% (20%)	11% (17%)	18% (28%)
Boxed Juice	17% (18%)	7% (10%)	14% (21%)
Bottled Water	9% (7%)	6% (6%)	11% (11%)
Clear Drinks	14% (7%)	10% (6%)	12% (9%)
Sports Drinks	23% (14%)	5% (12%)	12% (10%)

*Figures in parenthesis represent percentage of consumers who bought any beverage in that type of store who said they purchase specific beverages in that store.

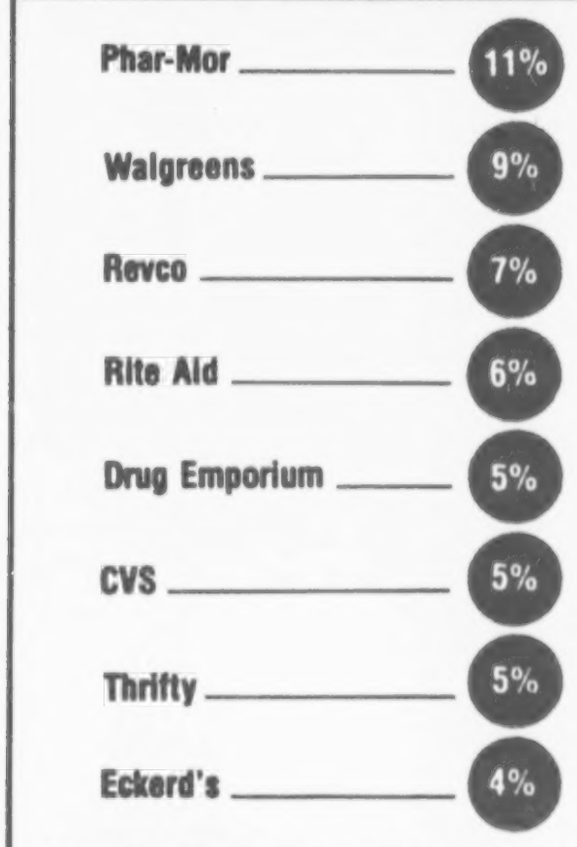
Source: Leo J. Shapiro & Associates for **FM**

Which Discount Department Store Do You Mainly Go to When You Buy These Beverages?



Which Warehouse Club?
(Among Warehouse Club Buyers)

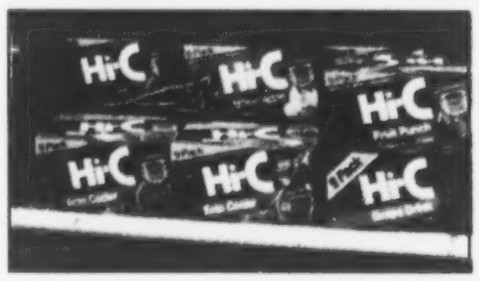
Which Drug Store?
(Among Drug Store Buyers)



Source: Leo J. Shapiro & Associates for **FM**

juices and waters, the non-food outlets tend to perform better with carbonated products. One reason is selection. Non-carbonated drinkers like to see a wide variety of choices when they shop, such as a multitude of flavored drinks or the latest in "trendy" waters.

About 17% of those queried frequent discount stores for bottled water, while 34% buy fruit drinks at a non-food outlet. As mass merchandisers continue to delve deeper into the beverage category, indications are that sales will rise as well.



But for now, the strength of cola in the discount store is reminiscent of the power of candy and snacks in a mass setting. "Discounters seem to do well with 'addictive' products," joked Rosenbaum.

According to the Shapiro research, asceptic juices are not a universally accepted package option. While 36% indicated they do buy juices in boxes, 63% indicated they do not. However, in families with children, the positive indication rises dramatically. Just over 53% of households with children buy asceptic juices.

The strength of the bottled water category is evident in the fact that almost 73% of those surveyed indicated they purchase bottled water. Among the brands singled out were Evian, Poland Spring, Spark Letter, Perrier, Crystal Springs and Clearly Canadian.

The Shapiro research finds the use of beverages related to income. There appears to be a greater consumption of beverages at higher income levels. Only in the case of high energy sports drinks does this trend reverse. Use of the sports drinks is highest among the lowest income group.

However, this difference by income disappears when looking at the income of beverage purchasers in discount and drug stores. Percentages purchasing are nearly the same in each income group. Only at the warehouse club, which has an upscale patronage, is the correlation between income and beverage consumption visible.

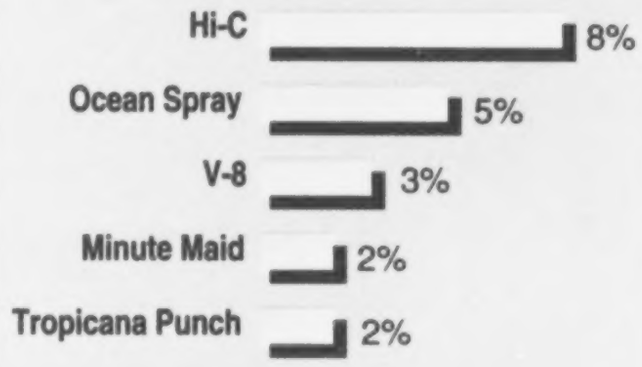
The conclusion that can be drawn is that discount stores and drug stores are helping lower income households maintain their use of carbonated and non-carbonated beverages. "They make them affordable," observed Rosenbaum.

When those who prefer discount stores head out, the majority are turning into their local Wal-Mart. The Shapiro research found that 31% of all ►

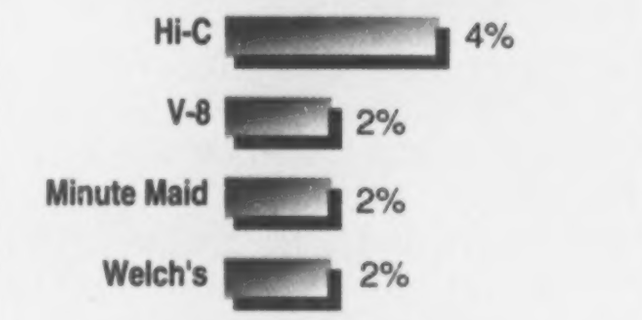
Fruit-Flavored Soft Drinks

Hi-C Leads Overall; Ocean Spray Strong Among Discount Dept. Store Shoppers

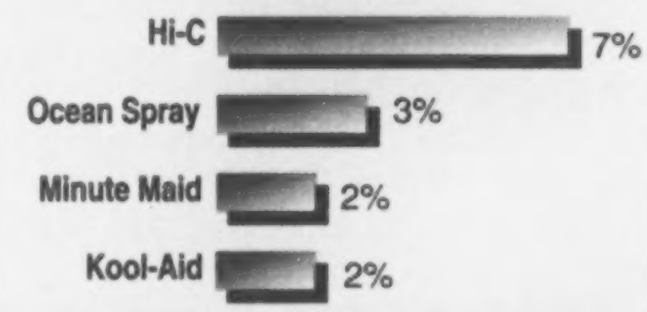
Brand Preference Among Shoppers Who Buy Beverages At Discount Stores



Shoppers Who Buy Beverages At Warehouse Clubs



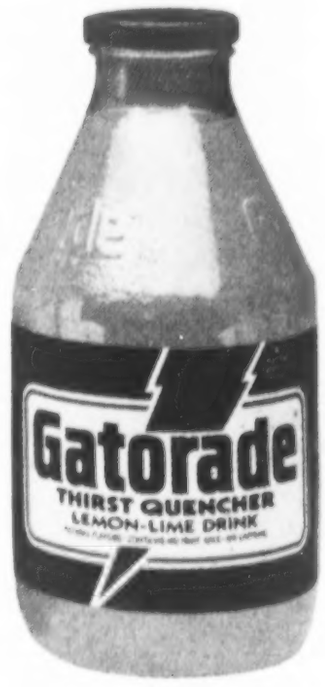
Shoppers Who Buy Beverages At Drug Stores



Source: Leo J. Shapiro & Associates for **FM**

High Energy Sports Drinks	
Gatorade Dominates With Heavy Beverage Spenders Brand Preference Among Non-Grocery Store Shoppers	
Gatorade	22%
No Other Brand Garnered More than 1%	
What Sports Drink Purchasers Spend on Beverages in a Year	
Less Than $100	12.4%
$100-$299	19.2%
$300+	30.1%

Source: Leo J. Shapiro & Associates for **Food Merchandising**

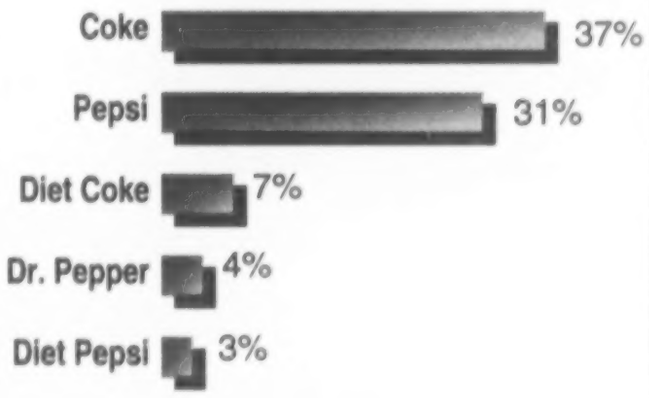


Carbonated Colas

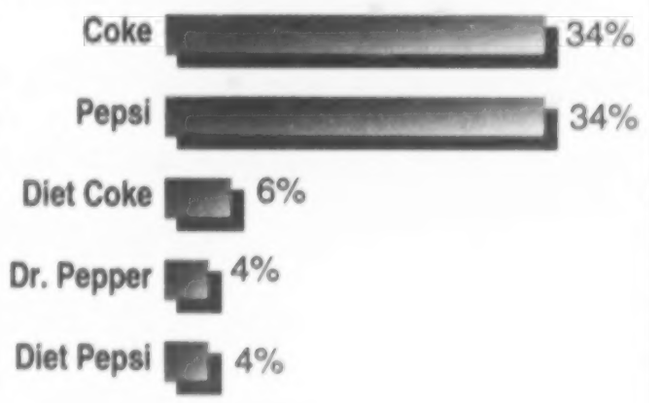
Coke Is It At Discount Stores; But Pepsi's the Right One For Drug Store Shoppers

Which Brand of Carbonated Cola Do You Like to Buy?

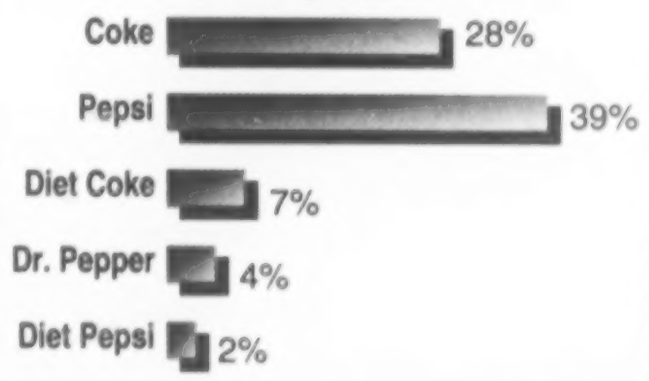
Among Shoppers Who Buy Beverages At Discount Stores



Among Shoppers Who Buy Beverages At Warehouse Clubs



Among Shoppers Who Buy Beverages At Drug Stores



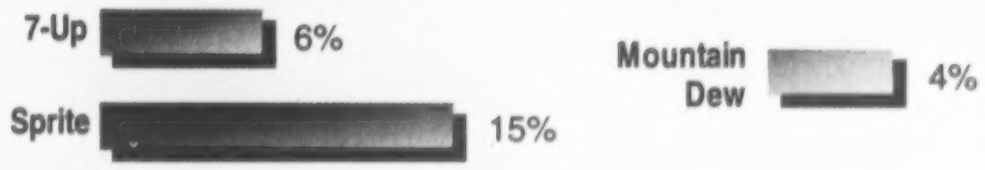
Source: Leo J. Shapiro & Associates for **FM**

Non-Cola Carbonated Beverages

7-Up Leads a Fragmented Market...

Brand Preference Among Non-Grocery Store Shoppers

But Higher Income Families Tend to Prefer Sprite
Brand Preference Among Households with Incomes Over $50,000



Source: Leo J. Shapiro & Associates for **FM**

those who have bought beverages at a discount store have purchased them at Wal-Mart. Kmart was next, with almost a 15% response, followed by Target's 6%, Ames' 4%, Fred Meyer's 3.4% and Venture's 2.6%.

Wal-Mart copped honors in the wholesale club arena, too. Those who said they frequent wholesale clubs indicated that they pick Wal-Mart's Sam's Club, giving it a 37% score. Almost 15% singled out Pace, 14% The Price Club, 11% Costco, 6% BJs and 2% the Wholesale Depot.

Super power deep discount drug store Phar-Mor topped drug stores with almost a 12% response rate. Walgreens, Revco, Rite Aid, Drug Emporium, CVS, Thrifty, Eckerd, Long's, Pay Less, Fay's, Osco and SupeRx were also mentioned by those surveyed.

The mean amount spent on beverages by the households interviewed by Shapiro was $288. The median amount was $200. Not surprisingly, the wholesale club customers skewed higher, spending a mean of $374 and a median of $200.

Bottled water sales have been bubbling over at a double digit rate increase since 1984. **FM**

Sweet on Savings

A Third of Shoppers Buys Candy at Clubs, Drug & Discount Stores

Non-food retailers play a major role in satisfying the sugar cravings of the American public.

Slightly more than one-third of all consumers who bought packaged candy and snacks products in the past year made their last purchase at a discount store, warehouse club, deep discount drug store or conventional drug store, according to a recent nationally-projectable study of 1,712 households conducted by Leo J. Shapiro & Associates for *Food Merchandising*.

Among the non-supermarket chains cited specifically by shoppers, Wal-Mart was far and away the dominant outlet for packaged candy and snacks, followed by Kmart. Meijer, the hypermarket operator based in Grand Rapids, Mich., Phar-Mor, the leading deep discount drug chain, Walgreens, the leader in the traditional drug store market, and Sam's Club, the largest membership wholesale club chain, each snared about equal shares of the total non-supermarket candy and snack customer pie.

Among the non-supermarket chains cited specifically by shoppers, Wal-Mart was far and away the dominant outlet for packaged candy and snacks, followed by Kmart.

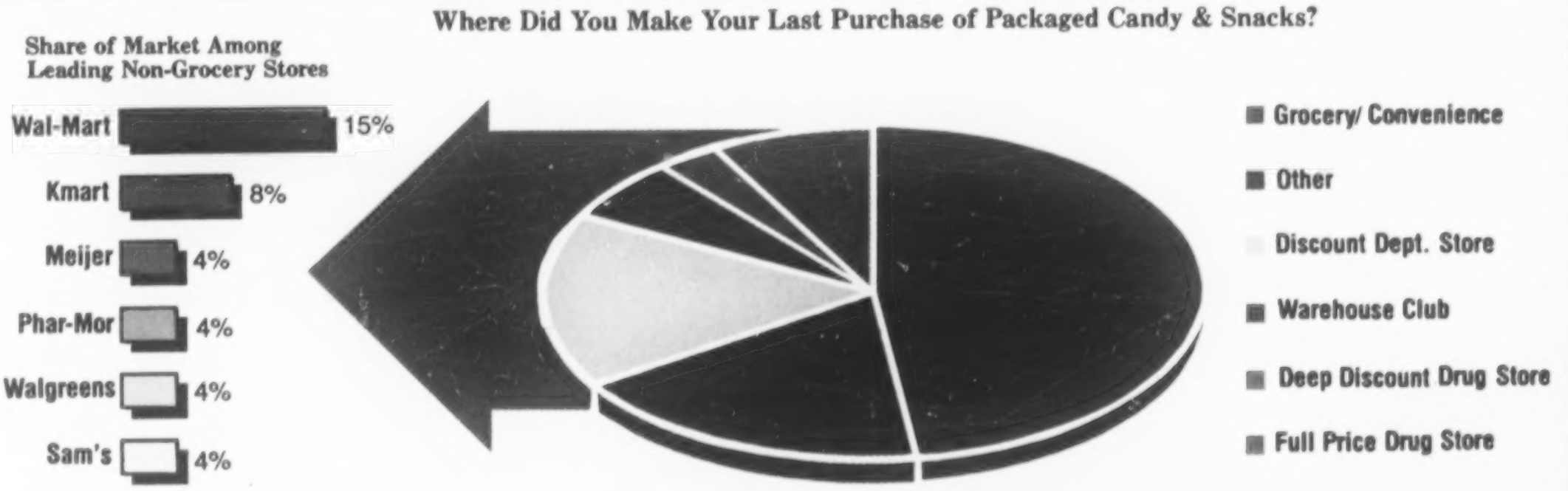
Regionally, supermarkets still rule the roost in the Northeast, where only 19% of consumers made their last candy or snack purchase at the discount, drug or warehouse store. But that percentage rises in other parts of the country where alternative forms of food shopping are now accepted. In the South, 39% of consumers made their last candy or snack purchase in a discount, drug or warehouse store; while 37% did likewise in both the West and North Central regions of the nation.

A demographic profile of the candy and snack purchasers at the various types of retail outlets reveals:

- Discount and drug stores draw a higher percentage of younger heads of households than supermarkets do when it comes to candy and snacks purchases. Warehouse clubs are most effective at bringing in shoppers aged 35 to 54, while drug stores, not surprisingly, are more likely to appeal to shoppers aged 55 and over.
- Drug stores' appeal in snacks is strongest among low income shoppers. Discount stores outstrip other types of outlets among middle-income families with annual incomes of between $30,000 and $49,000. Supermarkets and warehouse clubs, where members tend to be professionals, draw best among the higher level households with annual incomes of $50,000 or more.
- Single person households, and those with only two or three persons, prefer to buy their candy at drug stores, over the other outlets. Households with four or more members, though, tend to go to discount stores for their candy and snacks.

Of 16 product categories that were surveyed in the study, warehouse clubs exhibited their greatest strength in electronics, housewares, candy and snacks and personal care products. FM

Non-Food Stores Capture 34% of Consumers' Last Candy & Snack Purchases



Source: Leo J. Shapiro & Associates for FM

'Si' to Ethnic Foods

Retailers Discover a Taste for Exotic Grocery Products

Z-Mart, Miami: Discount veterans John Kilby, Joan Donaldson and Charles Howze cater to black and Hispanic customers with soft drinks like Ritz (see sidebar, opposite page).

The real power driving growth is the adventurous palate of general market Americans. Consumers are tasting foreign foods at outlets as common as McDonald's, helping fuel sales of ethnic offerings.

To understand the power of ethnic foods in the United States today, consider this: Sales of salsa toppled ketchup last year, according to New York-based research firm Packaged Facts.

Salsa outsold ketchup by $40 million in 1991. In fact, salsa sales hit $640 million that year, and are on the way to the $1 billion mark by 1995, reported David Weiss, president of Packaged Facts.

This illustrates a revolution in America's eating habits. Hot dogs have been exchanged for enchiladas. The trend thrills Dave Pace, who sold the first commercial salsa in the United States in 1947. Now Pace's Thick & Chunky Salsa sits on shelves of such All-American chains as Wal-Mart.

In fact, many ethnic food manufacturers say they have more access in non-traditional food outlets (discount stores, drug stores and warehouse clubs) than in supermarkets.

Non-food operators are willing to experiment with ethnic offerings, while supermarket shelves are already brimming with skus.

While the rise of the Hispanic and Asian populations has put a spike in ethnic foods sales (Asians and Latinos comprise 12% of the total population), the real power driving growth is the adventurous palate of general market Americans. Consumers are tasting foreign foods at

California's Fedco caters to that state's large Asian population.

Pay Less Drug Stores has an assortment of Oriental, Italian and Mexican foods. The Wilsonville, Ore.-based chain wants to learn enough about a market to target the mix to its customers there.

"We'll try to find the food items that have more appeal. If we did a section in the Bay Area of San Francisco, we would have a much broader selection of Oriental foods because there are more Asian Americans."

In Italian sections of New Jersey, Thrift Drug has enlarged its selections of Italian prepared entrees.

Even within general market goods, the ethnic complexion of the population dictates the mix. Said ➤

outlets as common as McDonald's, fueling sales of ethnic offerings. Ironically, said George Rosenbaum, president of the Chicago-based research firm, Leo J. Shapiro & Associates, the Hispanic is more likely to be eating the burger at McDonald's, the Caucasian the new fajita.

Dining out, one of the few growing areas is Asian and Mexican restaurants, according to NPD, another Chicago research firm. And as consumers become familiar with exotic tastes in restaurants, they start buying the same items in stores. According to Gorman's New Products Reports, Hispanic, Asian and Indian foods were the most frequently introduced ethnic items last year, behind Italian.

Health issues are also at stake. While ketchup is a sugar-sweetened condiment, salsa is made from naturally "spicy" vegetables. Hispanic, Asian and Indian seasonings are supplanting pepper and sugar as the "spices" of tomorrow.

Explained John Bauer, vice president of marketing for Golden Valley, "These flavors allow the high seasoning needed to put out a fat-reduced, salt-reduced product."

The reaction at retail has been an increase in footage devoted to ethnic products. While supermarkets started adding larger ethnic departments in the late 1980s (today Gelson's in Los Angeles even sells sushi), non-food operators are just discovering ethnic foods.

Retailers Seek to Fill Market Needs

Beyond conventional marketers' efforts to add ethnic items to appeal to the general market, there are retailers who specifically merchandise their stores for one ethnic group.

Primary examples exist in the grocery store business. Houston-based Fiesta Mart, for example, was created for the huge Hispanic population in the area. Ditto for Tianguis, a market operated by Vons in southern California.

A healthy supply of fresh produce and highly-recognized brand names are important to these chains. Ethnic consumers will seek out, and even travel a distance to find the brands they're familiar with from either their home country or word of mouth.

Some non-supermarket retailers have also carved niches as specialty operators serving ethnic areas. A prime example is Miami's Z-Mart.

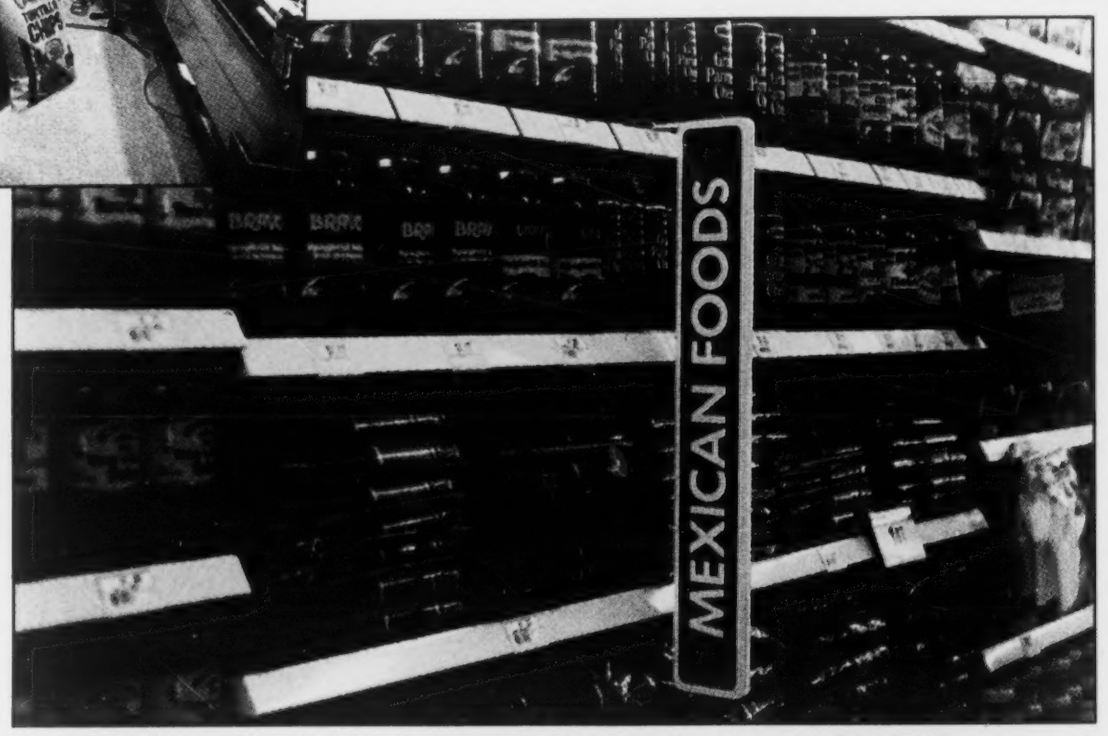
Three long-time veterans to the discount industry decided to take over a former Ames (previously a Zayre) store in the Miami area when they learned the store would be shuttered as part of Ames' restructuring under Chapter 11.

The trio—Charles Howze, who serves as president and chief executive officer; John Kilby, executive vice president and chief operating officer; and Joan Donaldson—took over the 46,000-sq.-ft. (selling area) store located in a neighborhood that is 75% black and 25% Hispanic. The merchandise mix is loaded with major brand names in apparel such as Dickies, Spaulding and Gitano—names important to the key customer. The mix also includes ethnic hair preparations as well as specialty ethnic pantyhose that the shoppers come to the store to find. The shoe assortment is also critical, observed Kilby, because it must include the sought after athletic brands.

There are also items that must be part of the food assortment to satisfy the trade area.

"We stock Ritz soda because it is a known name and there are many flavors," explained Kilby. Z-Mart retails the soda for 99 cents. Although Kilby said the food selection is small, he singled out candy as a big seller.

Also in Miami are two drug chains that cater to the large Hispanic market—Navarro Discount Pharmacies and Sedano's. These stores primarily stock toiletries and pharmaceuticals Hispanics seek out. Colgate toothpaste, for example, outsells others according to a source for Sedano's. Powdered aspirin sells better there than in general market outlets. Specialty bath oils and soaps are also a necessity. In addition, certain food items are stocked to meet the customers' demands—nacho chips, picante sauce and fruit juices. **FM**



Kmart, Sayville, N.Y., above, stocks a selection of Old El Paso products. Top, Hypermart USA in Texas courts Mexican food lovers.

Know the Hispanic Market

The 22.3 million U.S. Hispanics represent the second largest minority group in this country today. The population is growing at the rate of 15% per year and by 2010, Hispanics will be the single largest minority. By 2000, in fact, the Hispanic population will total 30 million.

Currently, according to *Hispanic Business,* Hispanic spending power is estimated to be $151 billion. According to statistics, Hispanic consumers allot 23% of their disposable income to food for consumption at home.

In marketing, it's key to remember that there are four groups of Hispanic consumers in the United States:

- Mexican (Latin Countries);
- Cuban;
- Spanish; and,
- All others.

Within these groups there are different levels of assimilation. Retailers must market the right products to the right group and not treat the market as one aggregate entity. Goya, for example, a success in some markets, faltered when it moved into Houston because the language on the packaging was not right for the local Hispanic shopper.

Attempts to better serve the Hispanic population can pay off. These customers tend to be heavy users of many items, including colas. And Quaker Oats' John Ball said Hispanics react to promotion. But some product categories just don't appeal to them much, such as cake mixes. "They prefer to make it from scratch," he said. Understand the market to better fine tune the mix, he said. **FM**

one Midwest drug chain executive, "We sell more Coke in Hispanic neighborhoods because it is a stronger franchise in Spanish-speaking countries."

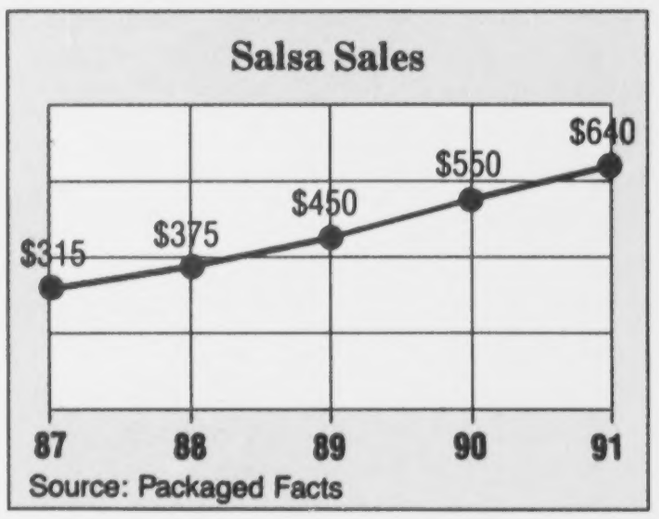
A source at Coca-Cola added that Coke enjoys a 70% market share in Mexico. Overall, the ethnic market is a heavy consumer of soda, accounting for more than 20% of non-diet cola consumption and an astounding 40% of sales of Sprite.

Micromarketing will help retailers tap into the ethnic boom, agreed John Ball of Quaker Oats, who spoke about marketing to the ethnic market at a recent gathering of the Promotional Marketers Association of America. Citing examples of products such as syrup, Ball pointed out how ethnic consumption is often higher than the general market.

But beyond serving ethnic tastes, non-food retailers are meeting the general market's quest for ethnic offerings. Kmart, for example, offers an 8-foot selection of Old El Paso Mexican items, merchandised as a family to encourage sampling of new skus, said Steve Pagnani, a spokesman for the discounter. Old El Paso is also found in Wal-Mart, along with Rosarita's Refried Beans and Chunky Picante Sauce (Beatrice/Hunt-Wesson).

Wal-Mart is also dabbling in what one source at Toñy Chachere's Creole Foods calls the next ethnic trend—cajun. Wal-Mart stocks the company's creole seasonings, sauces and jambalaya and gumbo mixes.

Wholesale clubs have jumped into action, too. Sam's has a spicy chicken developed for its units by Mexican-owned Delimex, based in San Diego. Delimex's product line received a boost after Jack-In-the-Box ran a promotion for taquitos. Now these finger-sized rolled tortillas stuffed with beef or chicken are Delimex's banner item at clubs. **FM**



HARD LINES

Automotives • Health & Beauty Care • Hardware • Toys • Stationery • Sporting Goods • DIY

Stores Boost Feminine Hygiene Sales

By Faye Brookman
Nationwide DSN Report

When Monistat 7 made its over-the-counter debut—the item had been the leading prescription yeast infection remedy—Bradlees proudly touted it in a full page ad for $9.99. The under $10 price point was significantly lower than the $17.99 tag for both Monistat 7 and Gyne-Lotrimin on the shelves of competitors such as supermarkets and drug stores.

Discounters have always sold a healthy share of sanitary supplies, but it was the introduction of items such as Advanced Care's Monistat and Schering-Plough's Gyne-Lotrimin that has given them the anchor to build a larger share of the $2 billion category. When shoppers discovered discounters sold these items, they bought more of their needs during one shopping trip, explained a source at Kmart.

Plus, these Rx-to-OTC switch items created an entirely new market, rather than cannibalizing other feminine hygiene items. In contrast, when ibuprofen items switched, the new OTC product robbed from existing analgesic sales.

The newly created OTC yeast infection remedy category is valued at $400 million per year, up substantially from the $275 million the products sold on a prescription basis. There's a simple reason for the sales explosion—about 75 percent of all women get at least one bout of a yeast infection in their lives and 13 million have the annoying condition each year.

The barrage of advertising backed by Advanced Care and Schering-Plough has educated women to know that for those with a yeast infection, who have already been diagnosed once before by a physician and recognize the symptoms, help is only a trip to a store away. In the year, both Gyne-Lotrimin and Monistat 7 have been on the market, Monistat has nabbed a 65% share and Gyne-Lotrimin a 35% share. Plus, sales of treatment (not remedy) items such as Yeast-Gard have also blossomed, thanks to a halo effect on the entire category.

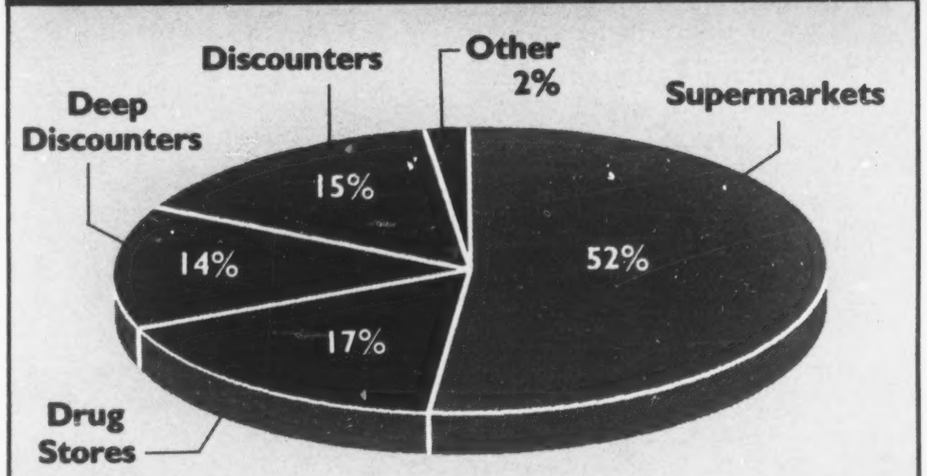
Naturally, the category presented a merchandising challenge for discounters. According to Peter Gonze, vice president, sales and marketing, for Advanced Care Products Division of Ortho Pharmaceutical, the prime merchandising spot is within feminine hygiene.

"That's where consumers will look," he added. That's also the prime spot because the items have a positive rub-off effect on items such as mini-pads and other sanitary supplies. One relatively new area benefitting is the vaginal moisturizer area and Schering has just released Gyne-Moistrin.

Discounters can also boost sales by using off-shelf displays.

Wal-Mart, for example, cross-merchandised the items at the pharmacy counter to take advantage of the synergy between the remedies and the pharmacy.

Feminine Hygiene Sanitary Supply Sales



Source: Towne-Oller

Unfortunately for many discounters, the feminine hygiene department is already bulging at the seams, according to Albert J. Kvicala, buyer for Franklin, Mass.-based Stuarts. "We're forever updating that department," he said.

However, the barrage of new paper products in sanitary supplies isn't the reason why he's avoided selling yeast infection remedies—even though he admitted its a huge and profitable business.

"We don't put them in because of theft," he lamented. The chain experimented with the items, but found they were moving out the door for the wrong reasons.

The thefts are by two types of people—those embarrassed to buy the item or professionals who "sweep" the shelves and resell the items. "We're letting the business go the drug stores," Kvicala said.

Doug Petkus, spokesman for Schering-Plough, said he has heard of only a few cases of the thefts. He believes the products are too powerful to pass up.

For several discount store chains, the challenge is pricing. One Midwest-based discounter said he has had to drop his retail price in his market on the products to compete with deep-discounters Drug Emporium and Phar-Mor. "Our sales were great until the competition started selling it at $14.99. We're dropping our prices from $19.95 to $15 to $16," he said.

The high price points have also made it a challenge for discounters to jump into the other growing feminine hygiene areas of pregnancy and ovulation test kits. But that may all change as the category continues to heat up. "It is growing by leaps and bounds," said Tom McMillian, product manager for e.p.t. from Warner Lambert Co. Towne-Oller tracked pregnancy test kits in supermarkets and found that sales of these products jumped 15% in the third quarter of 1991 over the same period in 1990.

Many discounters, such as Stuarts, are happy to stick with the sure sell of paper products, a feminine hygiene category that has finally settled down since the toxic shock tampon scare of the 1980s.

According to research from Packaged Facts, there is now almost equal use among consumers of pads and tampons. The leading napkins in sales according to Towne-Oller are Always, Kotex, Stayfree, New Freedom and Sure & Natural. The top Tampons are Tampax, Playtex, O.B., and Kotex. Discounters command 15% of the total business, far behind supermarkets' 52% share, but nevertheless, a rise of five percentage points over the last three years.

"That's directly relating to their efforts to market themselves more to the health and beauty care shopper via ads and enlarged selections," concluded David Weiss, president of New York-based Packaged Facts.

MARKETWATCH

Staples CEO on Pep Boys Board

PHILADELPHIA — Pep Boys, Manny, Moe & Jack, now a $1 billion automotives aftermarket chain, elected Staples chairman and chief executive officer Thomas G. Stemberg to its board. It also approved a 7.7% increase in its annual dividend to 14 cents a share, equal to 3½ cents a share quarterly.

Newell, Stuart Hall Swap Stock

FREEPORT, Ill. — The Newell Co. and Stuart Hall, a producer of stationery, have agreed to merge through a swap of Hall stock for Newell stock. The companies put no total value on the consolidation. Through such acquisitions, Newell now produces a wide range of hardware, home decor and office products.

Discount Stores' Athletic Shoe Market Share Up

NORTH PALM BEACH, Fla. — Discount stores last year increased their market share of athletic shoes to 27.2% from 25.6% in 1990. But sales in the category slumped 3% to 381.4 million pairs from 393 million pairs in 1990, according to the Sporting Goods Manufacturers Association. Price increases, however, held retail dollar volume constant at $11.9 billion. The average discount store price of athletic shoes was $17.40 a pair, 3.6% higher than in 1990.

Women Blamed For 53% of Shoplifting

DEERFIELD BEACH, Fla. — Women accounted for 53.2% of all shoplifters arrested last year, concluded Sensormatic in a survey of 52,000 arrests. The manufacturer of anti-shoplifting gear drew this profile of the typical shoplifter: a woman, age 28, heading at lunchtime on a Saturday to a department store, where she will try to walk out with $100 worth of goods. In home and hardware stores, however, men accounted for 86.7% of shoplifters caught.

Bensicker Gets Earthrite Line of Natural Cleansers

DANBURY, Conn. — Bensicker Consumer Products has acquired the EarthRite line of household cleansers from Magic American. EarthRite products are all-natural and 100% bio-degradable, Bensicker claimed.

Builders Square Names TV Star as New Spokesman

SAN ANTONIO, Texas — Builders Square, Kmart's home center subsidiary, has signed Tim Allen, star of the Home Improvement TV sitcom, as its spokesman for the next two years. The home center chain operates 146 stores and will open 24 more in 1992.

PayLess: Good Spin-Off Candidate

(Continued from page 1)
hosting a meeting with stock analysts in Troy May 29 to tell them more about its specialty operations.

Kmart declined to say whether it has retained an underwriter to take the specialty operations public. Nor would it give any indication when a spin-off could take place.

In those newly released specialty breakouts, PayLess proves itself to be the profit star, with an operating profit margin of 4.8% of $1.89 billion in 1991 sales, a 15.2% gain from $1.64 billion in 1990. Comparable store sales rose 2.7% in 1991, largely because of a weak economy in California, where it operates half its stores, compared to 6.3% the previous year. Operating profits totaled $90 million, a 16.1% increase from $77 million in 1990.

Operating profit margins for publicly owned drug store chains average about 3.4%.

Tim McAlear

PayLess has been logging profit margins in the 4.7% to 4.8% range—about equal to those of its parent—for at least three years. In contrast, the profit margins for its other specialty operations range from 1% for Pace to 3.6% for Builders Square.

Including 52 stores acquired last year from Osco drugs, PayLess operates 401 stores. The Osco acquisition extended its operating territory eastward to Utah and Colorado from its Northwest base.

But Payless has no ambitions to become a national chain, said Tim McAlear, president and chief executive. Nor does PayLess intend to compete head-to-head with its parent on discounted drugs and pharmacy.

McAlear took the reins at PayLess in December 1990 following a 28-year career at Kmart that started in the stockroom. Before his promotion, McAlear was director of store development.

PayLess scrapped a brief test of Wonder World, a deep discount chain. Continuation of Wonder World "would have put us head-to-head with our parent company," McAlear said. "One discounter in the family is enough."

PayLess exchanges ideas and certain information, such as on real estate, with its parent, McAlear said. "Systems people talk to each other," McAlear said, but they don't share services.

PayLess runs as a totally autonomous operation.

In common with many pharmacy operators, including Wal-Mart and Kmart, PayLess subscribes to the same pharmacy data processing service that keeps track of drug interactions for individual prescription customers and arranges for direct billing to third parties.

For tighter inventory control, PayLess totally centralizes merchandising, McAlear said. About 80% of all goods flow through its three distribution centers: Wilsonville, Woodland, Calif., and Salt Lake City, Utah.

Emulating its parent company, PayLess has just put into operation its own TV studio and will transmit programs, including messages from the chairman, to stores via a satellite link starting this month.

Including its new "45" prototype store of 31,000-sq.-ft. in Wilsonville, 120 stores, or 28%, carry apparel in 2,500-sq.-ft. departments, McAlear said.

The top price point for the basic assortments of sportswear, sweats, T-shirts, jeans and children's apparel runs about $20, McAlear said, but a Gitano jogging suit was on sale back in March for $37.88, compared to $49.99 every day. PayLess and Kmart don't share apparel purchasing.

In another unusual offering for a drug store chain, about 25% of PayLess stores also offer fabric, yarn and crafts departments. Price examples were crepeback satin, $3.47 per yard, and Pioneer yarn, $1.39 per skein.

Other departments include mini-departments offering basics in automotive hardware and toys.

Pharmacy, located in the front of the store for greater convenience, accounts for 5% of the floor space of the new prototype store. About 40 stores operate one-hour photo labs.

The new Wilsonville prototype stands in marked contrast to conventional PayLess stores, such as the unit in Lebanon, Ore., where Wal-Mart opened one of its first two units in Oregon March 3.

In appearance and offerings, the conventional PayLess in Lebanon looks to all the world like a 30,000-sq.-ft. discount department store. But in its new and remodeled stores, PayLess is moving away from the all round discount store approach to concentrate on its three power departments, pharmacy, health & beauty care and photo.

PayLess dubs the Wilsonville prototype the "45" because aisles are angled at 45 degrees from the front checkout to the rear, creating several triangular areas.

Cosmetics dominate the entrance in a triangular department immediately behind the row of checkouts.

Signs saying, "We Discount Maybelline Every Day," and "We Discount Cover Girl Every Day," top their respective displays.

In keeping with the latest trends in store decor, spotlighted color graphics invite the customer's eye, such as a mother tending her baby over a display of disposable diapers.

As a customer convenience, the store offers free coffee and upholstered chairs to customers waiting for prescriptions and provides a copy machine at 5 cents per page. The store also is installing a fax machine for public use.

To make the store easier to shop for the elderly and handicapped, the PayLess prototype features automatic sliding entrance doors and two electric-powered shopping carts.

Bed Bath & Beyond to Go Public

(Continued from page 6)
stores in nine states, 26 of which are superstores. Total square footage (including storeroom space) is 917,000 sq. ft. Store size ranges from a low of 5,000 sq. ft. to a high of 60,000 sq. ft. (at the company's new Gurnee Mills location), with new stores averaging about 44,000 sq. ft. The company opened seven new superstores last year, and three the year before, all between 23,000 sq. ft. and 60,000 sq. ft., with most around 50,000 sq. ft.

In its prospectus, BB&B identifies its primary competition as local department stores, other superstore operations, and outlet malls, and notes that its competitive strategy calls for carrying a deeper selection than the department stores, more categories than other superstores (which it feels are primarily in the linens business) and a wider selection of top lines than the outlet malls.

Perhaps the most interesting information contained in the prospectus pertains to the role of store and department managers, who are given total control over reorders and are encouraged to tailor their mix as local market conditions require. The buying staff confers with regional and store managers and is responsible only for the initial order of merchandise. After that, managers are free to reorder or not, depending on sales in that store and consultations with area and district managers, all of whom worked their way up from entry-level positions.

Like Wal-Mart, Bed Bath & Beyond believes in growing its own employees. Everyone at a senior executive level started out the same way, the company said, sweeping out stores and learning the business from the ground up. "Having local store personnel determine the appropriate quantity to reorder encourages entrepreneurship at the store level and better ensures that in-stock availability will be maintained in accordance with the specific requirements of each store," the prospectus notes, adding that store level autonomy also allows the chain to adapt to specific market, climate and regional taste considerations.

The company has also invested heavily in state-of-the-art POS systems that will allow it to be more efficient as time goes by. The system is expected to be completely on-line, with scanning in all stores, by year-end and initial benefits will accrue beginning in 1993, according to the prospectus.

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Vol. 31, No. 9 May 4, 1992

Value City Set to Absorb Gee Bee

(Continued from page 1)
Remaining net proceeds will pay for more trucks and tractors and increase working capital.

SSC acquired Gee Bee (from the founding Glosser Bros.) in 1990 by assuming some $72 million in bank and trade debt.

SSC, whose late chairman, Jerome Schottenstein died in March, will retain the 18 Dollar Bargain closeout stores that Gee Bee owns. It plans to close three units when their leases expire this year.

SSC sold only a 27% stake in Value City when it took the chain public last year. After the new stock sales, SSC will continue to hold a majority interest of about 57% in Value City and thus still will be able to appoint all board members and swing any vote on matters put to stockholders.

Following the acquisition, Value City will convert all the full-line Gee Bee stores, except for those in Altoona and Johnstown, Pa., where both chains operate stores successfully. Also, two apparel-only stores, called Gee Bee Junior, will retain the Gee Bee name.

Value City now operates 56 units, so the stock deal will boost its store count to at least 69, once it completes the conversion.

The deal will give Value City two more Maryland units, Cumberland and Frederick, on top of its three Baltimore stores.

And it will add its name to 11 more Central and Northeast Pennsylvania markets: Chambersburg, Hazleton, Meadville, Muncy, Natrona Heights, Pottsville, Selinsgrove, State College, Uniontown, Washington and York.

Value City will continue to operate, on a reduced basis, the Gee Bee headquarters in Johnstown, Gee Bee president Tom Zurilla said. Johnstown will retain a buying staff, but accounting, among other functions, eventually will be consolidated in Columbus, said Robert Wysinsky, cfo for the chain.

Value City still is studying potential savings from eliminating other duplications, Wysinsky said, so he was unable to estimate how many of the 190 headquarters personnel will remain. Gee Bee laid off about 20 employees last winter when it sold its credit card operations to Bencharge, Zurilla said.

Value City went public at $19.50 per share. After its stock shot to a high of $50, Value City split the stock 2-for-1, so the recent $15.88 price equals about $31.75, adjusted for the split.

Value City primarily is a soft goods discounter specializing in closeout goods. For the six months ended Jan. 25, 1992, it derived 63% of its revenues from apparel, 22.6% from hard goods and home furnishings and 14.4% from licensed shoe, camera and health & beauty care departments.

Sales for the six months rose to $363.4 million from $310.9 million for the second half of the previous fiscal year. Operating profits for the half increased to $34.9 million from $30 million.

In contrast, six month sales for Gee Bee dipped to $78.2 million from $79.9 million, while operating profits slumped to $2.6 million from $5.6 million.

During the half, comp store sales for Value City rose 11.1% but slumped 2.1% for Gee Bee.

The gross margin for Value City dipped to 37.1% for the six months from 37.3%, but its expense ratio declined to 29.3% from 29.6%.

C5150-3

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SECOND CLASS

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PERSONALITY PROFILE:

Jones Plots Growth For Rose's Success

By Mary Ellen Kelly

George Jones

Early in his life, Rose's Stores' president George Jones learned to abandon endeavors he was good at; it freed up his time to become great.

A year ago, as executive vice president of store operations for Target Stores, the nation's third largest discount chain, Jones' career "was certainly well on track." However, the 41-year-old executive also realized that the top spots at Dayton Hudson's various divisions were unlikely to change in the near future—in other words, achieving greatness at Target could take awhile.

So when a Rose's recruiter appealed to Jones' hunger for personal challenge, he left the Minneapolis-based upscale discounter and headed for Henderson, N.C.

(Continued on page 124)

Rose's Conquers the Odds By Posting Profit in 4Q

HENDERSON, N.C. — Rose's Stores has done what few in the industry thought it would ever do again: turn a profit. Net income is still in the red, but accounting policy changes enabled Rose's to report positive operating profits for the fourth quarter and year-end 1991.

At the same time, Rose's said its lenders had signed an agreement in principle to provide the chain with a multiyear working capital facility and to restructure the principal payments of all of its existing long-term debt.

Fourth quarter financial performance turned back the tide of operating losses which had flooded quarterly re-

(Continued on page 123)

Hills' New Prototype Redefines The Chain

By Laura Liebeck

PITTSBURGH — At Hills, the sweet smell of success might include the scent of cinnamon.

The beleaguered discounter, in Chapter 11 bankruptcy since Feb. 4, 1991, is in the midst of a three-year, chainwide reorganization that features changes in corporate management and a dramatic new store layout and merchandise presentation. Even the smell of warm cinnamon buns at the repositioned snack bar lends a pleasing ambience to this remodeled Hills store.

A tour of the 154-unit chain's prototype store here May 1 with chief executive officer Michael Bozic revealed the sights, sounds and smells of a markedly different Hills. There was no overpowering smell of popcorn; no confusing maze of illogically laid out aisles; and no incredibly long runs of pipe-racked apparel.

Bozic, just completing his first year as president of this venerable 35-year-old discounter, said the new store design positions Hills as a stronger regional competitor capable of withstanding the onslaught of Wal-Mart, now competing against 30% of Hills' stores, and a revitalized Kmart, which has units directly competitive with

***With Bozic** on the mound, Hills to score with new prototype.* (DSN photo)

90% of Hills' stores.

The store revitalization program is being carried out while Hills negotiates a plan of reorganization with its creditors. Last year, six stores were remodeled. This year 40 will be redone. Each unit—about 70,000 sq. ft. of selling area—costs an average of $10 per sq.-ft. to remodel, said Bozic, and takes 12 weeks to finish.

Bozic declined to specify the financial improvement being recorded by the remodeled stores, but did note that the gains are impressive enough to continue the rollout and enable him to smile easily.

"Now we can finally show customers what we really have in soft lines," he said while scanning the selection that occupies half the store.

In fact, it is through Hills' soft lines presentation that Bozic feels the chain will survive and prosper in what he termed a "tough" market.

There is room for the three nationals—Wal-Mart, Kmart and Target—plus a strong re-

(Continued on page 118)

Stop & Shop Plans $176M Bradlees Public Offer

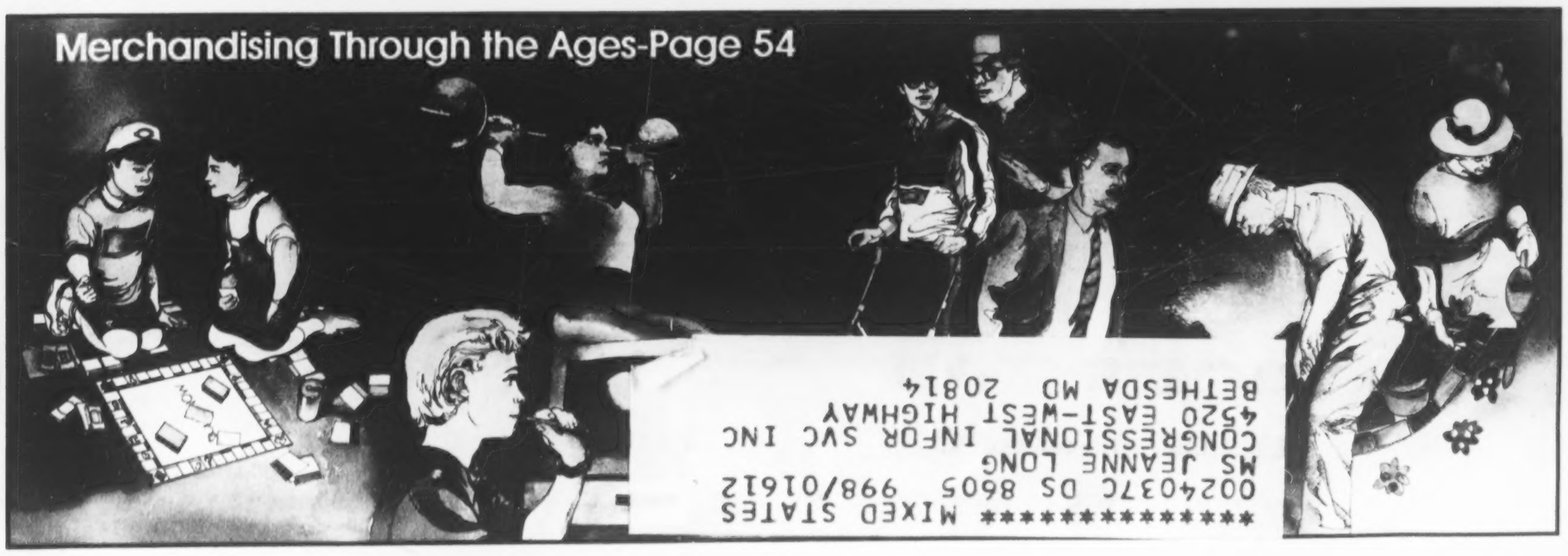
BRAINTREE, Mass. — In a second bid to reduce a billion dollar debt load, Bradlees' supermarket parent is offering to sell the chain to the public.

Stop & Shop intends to sell at least 11 million shares, raising about $176 million at $17 per share. Bradlees will turn the money over to its parent, which will use the proceeds to reduce its $1.1 billion in debt remaining from a 1988 leveraged buyout and allow it to focus on supermarket expansion.

In a similar move to concentrate on its core business, Super Valu, a Minneapolis-based supermarket operator, sold to

(Continued on page 124)

Bradlees
Headquarters: Braintree, Mass.
Chairman, ceo & president: Barry Berman
1991 Sales: $1.77B
1991 Operating Profits: $68.2M
1991 Sales Per Sq. Ft.: $199
Store Count: 127
Employees: 16,000
Expected Share Price: $17
Source: Bradlees IPO Registration Statement



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Ettore Sets Groundwork for Stuarts Revival

By Jill Lettich

FRANKLIN, Mass. — Stuarts is "just a heartbeat away" from announcing approval for its reorganization plans, according to Joseph Ettore, president of the 20-store chain.

Since filing for Chapter 11 bankruptcy protection in December 1991, Stuarts has battled with a beleaguered New England economy, and worse, the appearance of Wal-Mart on its doorstep.

But Ettore is confident that its creditors committee, and the court, will come back with a positive vote for the plan. It includes a provision of $17.7 million in cash, and issues of common stock to its creditors which would mean Stuarts could come out of Chapter 11, "virtually debt free," according to Ettore.

Joseph Ettore

He reported retail sales for April were up 9.7%. The company also reported a small profit for fiscal 1991, totaling $150,000.

Ettore is even confident that the chain can hold its own against the giant from Bentonville, Ark.

"When Wal-Mart came into Seabrook, N.H., last February [Stuarts' Salisbury, Mass., store is only four miles away] our store took a 20% decline in same store sales," he said. "March was flat, and in April, we're off only about 2% from projections and are way above last's year figures."

The improved weather at the end of April also helped boost sales chainwide, up 19% from a year earlier, especially of seasonal merchandise such as patio furniture and shorts.

"We're a different company than we were a year ago," reflected Ettore. "I'm a different person. We had to dig down and do things you may not have thought of doing in other times."

Among those things were streamlining operations through a reduced payroll and better trafficking through its distribution center.

"Our distribution center used to handle all soft lines, while hard lines were handled through an outside company. A year ago we started to handle hard lines ourselves. It saved a lot of money," he said.

Other changes included an expanded children's wear area. Children's and junior apparel are some of the areas that Ettore believes will set it apart from Wal-Mart.

The chain has also put a new emphasis on home furnishings, which are now being promoted more frequently at the chain, including a special circular in April that was almost exclusively devoted to the category. "Home furnishings has been our best department this year," he said.

Stuarts also received approval to open two new stores this summer in what are former Ames/Zayre sites. The consent from the creditors committee for the two stores came only after Stuarts agreed that it would close two of its own poor-performing stores.

That plan may change if Stuarts continues to turn itself around. Increased sales at the chain could result in the closing of only one store.

Northeast Stores Prepare for Wal-Mart

CAMBRIDGE, Mass. — How retailers can prepare for the arrival of Wal-Mart in the Northeast was the underlying theme of a recent Deloitte & Touche seminar.

TRADE/New England/ Boston Retail unit of Deloitte & Touche sponsored the event, "Becoming a Low-Cost Operator," which was attended by both small regional firms, such as Maurice and The Pants Man, and larger Northeastern regional chains such as Lechmere and Marshalls.

Not surprisingly, differentiation was the strategy put forth by the various speakers. George Strachan, an analyst with Goldman Sachs & Co., reviewed how retailers in other parts of the country had reacted to the appearance of Wal-Mart in their markets.

A Goldman Sachs study found, for instance, that Kmart has reacted to Wal-Mart's inroads in the South. Pricing at Kmart stores was 10% lower when competing directly with Wal-Mart than in areas where they were not faced with the Bentonville, Ark.-based chain. However, Strachan believes local retailers do not always have to react with slashing prices.

He cited ShopKo, a mid- and Northwest retailer, as an example of a chain that is succeeding even with Wal-Mart affecting 20% of its store base. "They benchmarked and documented their performance; stepped up promotional activity and improved distribution and MIS operations," he said.

Strachan warned that becoming a low-cost operator should not entail "starving one's self into prosperity."

He advised retailers to "invest in superior execution," including service extras such as wider aisles and more in-stocks.

He agreed that apparel was an area where more fashion-oriented chains, especially in the Northeast, might have an upper hand against Wal-Mart. Pricing, he noted, could be an effective weapon in categories where a regional store and Wal-Mart have an overlap. "If overlap is small, make a price statement," he said. "Offer real value, not gimmicks."

Strachan also noted that the specialty warehouse was the most difficult concept because of the high level of service and selection required of a low-cost operator to compete effectively.

Harris Gordon, a director, management consulting, Deloitte & Touche, reported that the economic indicators were improving. "Consumer confidence is up even in New England, which has been more hurt than the country as a whole," he said. He noted, however, that for retailers to maintain their stance in the region and to compete effectively, they had to "create a market intelligence culture; become a rapid response organization and create a low-cost infrastructure."

Randy Allen, director, management consulting, TRADE Retail & Distribution Services Group, New York, reviewed the ways local retail management could cut costs, by renewing the basic infrastructure of the organization. That included reassessing workloads and assessing the skills required to accomplish various tasks with the ultimate goal of "restructuring to facilitate customer-driven strategy execution."

Boy's Town of Italy Names Antonini 'Man of the Year'

***Joseph Antonini**, chairman of Kmart (right) receives a plaque from Monsignor J.P. Carroll-Abbing honoring him as Boy's Town of Italy's 'Man of the Year' while Conair's Lee Rizzuto looks on.*

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Zellers Taps Vendor Camerica to Manage Accessories Dept.

By Pete Hisey
International DSN Report

MONTREAL — In what may be the most dramatic example of an ongoing trend, Zellers, the 283-store chain based here, has named video game accessory and software manufacturer Camerica its exclusive supplier for all third-party games and accessories.

Camerica will, in effect, manage Zellers' 235 video game departments, exclusive of hardware and original software from Nintendo, Sega and others as they're added, an arrangement believed to be unique to the mass market.

But it may not be unique for long. Discounters and major vendors alike are looking for ways to simplify often unmanageable accessory and software businesses and several approaches seem to be gaining popularity.

While some discounters, like Zellers, are searching for someone else to manage the businesses (Wal-Mart's purchase of Western Distributors for software expertise fits into this model), others are simply looking for one-stop shopping with vendors who can supply a wide range of products. High-profile branded suppliers like Tengen (in video game accessories), Maxell and Memtek (in audio/video accessories), and Fuji and Memorex Business Products (in computer and office-related accessories) are introducing new or expanded merchandising programs that can encompass 300 or more skus from a single vendor.

Mass retailers are paring down the number of vendors in many product areas, and the most natural place to start is the accessories department, where hundreds of individual low-cost skus from dozens of vendors are often overseen by several buyers.

The housekeeping and plannogramming problems alone are immense, with products packaged in a riotous profusion of blisterpacks, stacking boxes, hangers, bricks and many others. And, the sheer raw number of invoices, purchase orders and individual sales reports make it a category almost impossible to effectively manage.

(Continued on page 37)

House Bill Targets Companies That Falsify Foreign-Made Parts

WASHINGTON — A bill introduced by New York Republican congressman Ray McGrath, House Majority Leader Richard Gephardt (D-Mo.) and Michigan Democratic representative Sander Levin would target foreign manufacturers who have 'circumvented' antidumping legislation.

The bill, which was referred to the House Ways & Means Committee, intends to close loopholes whereby companies that unfairly dump products like laptop computer screens and typewriters either obscure the actual country of manufacture or build "screwdriver" factories that simply assemble the finished pieces.

Dan Zielinski, press secretary for McGrath, noted that companies McGrath considers in violation of the new legislation include Brother and Sharp, both of which have battled antidumping charges for the past few years. Sharp representatives said they had not had enough time to study the bill when reached for comment.

Zielinski noted the issue is "straightforward; it goes to the heart of fairness." The major issue, he said, is that offshore companies have circumvented antidumping legislation by setting up phantom factories that simply install a final screw or two to complete a product or shift country of origin by setting up phantom companies in countries that are below antidumping quotas.

"By putting up 'phantom factories' that do nothing but assemble foreign-made parts into a finished product, foreign companies are blatantly thumbing their nose at our laws...," McGrath noted in a prepared statement.

Smith Corona chairman G. Lee Thompson, a longtime critic of existing legislation, applauded the bill, which he said will correct an "unlevel playing field [on which] U.S. companies that invest billions in R&D, training of skilled workers and development of fully integrated manufacturing facilities, are forced to compete against 'screwdriver' operations turning out products that would otherwise be subject to duties."

The legislation could have serious ramifications in several industries, most noticeably the automobile industry, where the line between American- and foreign-built products has been blurred over the past few years as Japanese and other manufacturers have set up factories that blend imported and domestic parts. The same may be true in consumer electronics. For instance, a laptop computer screen might be imported, but the rest of the machine is built here. If the screen is prohibited, American workers who build the rest of the machine could be out of work.

Hearings should be held in the "near future," Zielinski said, and Gephardt is considering adding the bill to a larger trade bill this summer. McGrath said that he is "confident that the bill will gain wide support" in both Houses of Congress.

TJX Debuts Home Goods Unit

FRAMINGHAM, Mass. — TJX Cos., finally unveiled its new Home Goods discount specialty concept in Mildford, Mass., earlier this month.

Home Goods is devoted exclusively to off-price housewares and home furnishings products.

This first 50,000-sq.-ft. Home Goods unit offers branded merchandise at 30% to 70% below regular retail prices.

Two additional Home Goods stores are slated to open this month, in Florence, Ky. and Beechmont, Ohio.

The company's T.J. Maxx stores have consistently done well with home products and giftware, though not in as large a space. The Home Goods concept expands the firm's presence in the home furnishings arena, while also making use of some unsettled leases.

Home Goods was one of two formats TJX created as profit centers to counteract leasing problems with former Zayre Store sites and problems stemming from Ames Department Stores bankruptcy filing. The other concept, a multipurpose market featuring individual retail booths, opened earlier this year in Florida.

It is estimated that each Home Goods store could generate up to $7 million in sales.

For fiscal 1991, TJX reported sales of $2.8 billion, a 12.7% increase from a year earlier. Income from continuing operations was $14 million, vs. $15 million a year earlier. In addition, the company established an aftertax reserve of $50 million to cover expected obligations related to the same Zayre leases.

T.J. Maxx also operates 576 Hit or Miss stores, the Chadwick's of Boston catalog, and nine Winners Apparel stores in Canada.

MARKETWATCH

Kmart Buys Czech Store; Eyes 11 Others

WASHINGTON, D.C. — Kmart is now the saving place for Americans and Czechoslovakians. The discounter spent $11.8 million to buy a 76% stake in Maj, one of the largest department stores in Prague. Maj is a seven-story building with 90,000-sq.-ft. of selling space. Kmart is also negotiating to purchase 11 other stores in Czechoslovakia to create a discount store chain in central Europe. The financial commitment, including capital investments over three years, is about $100 million (U.S. dollars), said Kmart. The discounter also plans to help develop Czechoslovakian products for export to the U.S.—cookware, specialty glass and Christmas tree ornaments are the first goods—and import American goods to that country.

Sam's Clubs Sets 11 Michigan Openings

BENTONVILLE, Ark. — Wal-Mart plans to open 11 Sam's Clubs in Michigan in 1993 and expand two of its four current clubs there (with a fifth now under construction). The discounter is also negotiating for eight more Sam's Clubs to give it 24 Michigan clubs by 1994. The Lansing and Flint Sam's Clubs will be expanded to include its fresh produce program, which will also go into the Grand Rapid club now being built and the 11 new clubs. These sites include Southfield, Southgate, Auburn Hills, Port Huron, Jackson, Battle Creek, Benton Harbord/St. Joseph, Holland, Traverse City and Tri-Cities (Midland/Saginaw/Bay City).

Ames Sells Crafts & More Operation

ROCKY HILL, Conn. — Ames Department Stores has asked its bankruptcy court to approve the sale of its 10 freestanding Crafts & More stores to ConAgra, a diversified company with specialty retail interests. Despite the sale, Ames said it remains committed to the Crafts & More program within 156 full-line discount stores.

Dissident Sears Stockholders Press Board

CHICAGO — As Sears prepares to hold its annual meeting May 14 in Atlanta, the retailer's board has come under growing pressure from dissident stockholders to enact a number of changes in the company's management. These moves include studying the divesture of the retailing and financial service businesses into separate companies and splitting the chairman post from president and chief executive officer, the two jobs now held by Edward Brennan. A number of institution investor group are supporting these proposals.

Good News For Retailers: April Sales Rise

Discount chain April same store and total sales gains, suggests that a mild recovery may be underway for retailers.

April 1992 Sales Results

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart*	26.0%	13.0%
Kmart*	10.9	5.5
Target	16.0	4.0
Sears	(1.5)	(2.1)
Caldor	10.6	5.1
Jamesway	4.0	4.0
ShopKo	11.9	10.1
Value City	22.9	17.9
Venture	15.5	5.2
Dollar General	35.0	30.3
Family Dollar	22.0	15.0
Circuit City	11.0	2.0
Value Merchants	72.5	6.9
Clothestime	35.0	23.0
50-Off Stores	64.5	12.9
Consolidated Stores	21.8	6.0
Pic 'N' Save	11.7	10.9

*Consolidated company results ( )—loss Source: Company reports

EDITORIAL

Discounters: Don't Abandon L.A. Poor

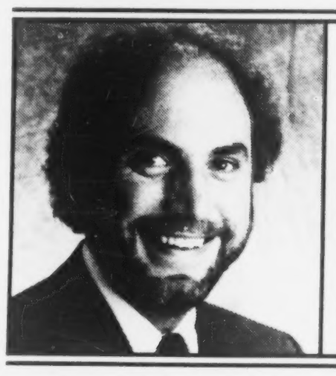
"It was better than a made-for-TV movie," someone said to me. Sad, but true.

Unfortunately, the horror of Los Angeles last month had more drama, more fires, more beatings, more shootings, more murders, and more looting than any script writer or special effects director could cram into a two-hour show.

It was real; it was numbing; it was tragic.

The acts of hundreds have destroyed the lives of millions of innocent people, leaving them without jobs, without food and without stores to shop, but hopefully not without hope.

The incidents in Los Angeles certainly touched the life of every citizen in this country. The people running out of that PayLess Shoe store with bags of merchandise or the family loading a TV set into their van will not easily be forgotten. Nor will the countless people with brooms in hand trying to make it all go away as fast as it had happened.



TONY LISANTI
Editor

Now, in the aftermath of the rioting in Los Angeles, politicians and business executives are assessing ways to rebuild. One key question is: will retailers rebuild or abandon Los Angeles?

A few of the reports indicate that some retailers will simply clean the rubble and run. Yet many other retailers have emphatically stated that they will be back in business as quickly as possible (see story, page 5.) According to one published report, 1,360 of 2,411 stores in South Central Los Angeles were burned or damaged.

It will be easy for the big retail chains to rebuild, but not for the small mom and pop stores.

Target, Kmart, Montgomery Ward and Sears have already reopened their stores that were slightly damaged. In addition, most chains, including Fedco, Sears, Chief Auto, Pep Boys, Trak and Radio Shack and several supermarkets said that they will rebuild the stores that were demolished. However, Thrifty Drug said it is still undecided about what it will do. And many small business owners are unsure what the future will bring.

Inner city markets are perfect locations for many discount stores. Retailers should make every effort not only to rebuild their stores in Los Angeles, but to expand into more urban areas where there is a tremendous need for national brand general merchandise and food products at low prices. Furthermore, the presence of a national chain provides hundreds of jobs, products, services and a source of pride to communities in need.

There's no doubt that discounters in this country need to be more progressive in establishing urban expansion plans and should look to what other industries have done for suggestions. Many fast food chains, such as McDonald's and Kentucky Fried Chicken, have had success targeting ethnic communities. Perhaps there's a lesson or two to be learned from Z-Mart, the black-owned Florida discounter.

Whatever happens in the efforts to rebuild Los Angeles, it won't be easy. Don't be intimidated by the militant minority; be encouraged by the innocent majority.

BUYERS & SELLERS

Regionals React Boldly to Competitive Pressure

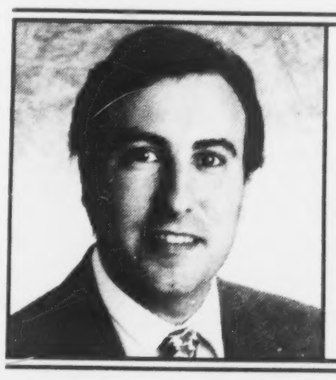
What discount department store chain rang up $6.81 billion in sales in 1991 (up 5% from 1990)? It has 449 stores located across the Middle Atlantic, Northeast, Midwest and Northwestern United States.

This chain's profits improved to $161.6 million in 1991, up nearly 11% from $145.9 million the previous year. It also opened stores in several new markets and tested several new store designs, strengthening its appeal to its core customer and making it a more formidable opponent to the Big Three discounting chains.

What's the name of this chain? The answer: ShopKoVentureCaldorBradlees.

Well, actually, I'm talking about four separate regional chains that are reacting boldly to the competitive threat of the Big Three.

Of course, the Big Three are Wal-Mart, Kmart and Target. In 30 years of existence, the trio has gobbled up nearly two-thirds of the entire $92 billion-plus discount department store market.



DON LONGO
Exec Editor

It took a while, and some are not out of the woods yet, but it appears that regional discount chains are finally refreshing the look of their stores, shedding unproductive units, upgrading their distribution systems and technological abilities, and improving service to their customers.

I've previously written about how ShopKo has managed to profitably reposition itself with a new store prototype that better serves its well-educated female shopper, while at the same time improving the efficiency of its distribution network so as to be more price-competitive.

Similarly, Venture is one of the regional success stories of the year. The O'Fallon, Mo.-based discounter, which has successfully defended its Midwest turf from the Wal-Mart juggernaut over the past five years, has actually embarked upon an expansion campaign that will hit Wal-Mart and Target strongholds in the Southwest.

Caldor and Bradlees also appear to be rebounding from difficult times. Caldor has a more aggressive capital spending program that is being used to update its stores to properly showcase the generally better quality, more fashion-forward merchandise it carries in comparison to Wal-Mart.

Bradlees last month opened eight stores that were remodeled to its new prototype (see story, page 5). Scanning at the point-of-sale has improved Bradlees checkout productivity, while loading dock operations have been greatly enhanced by direct scanning of cartons as they're received. The new prototype also enhances Bradlees' merchandising position in juvenile products, big men's clothes, health & beauty care, particularly ethnic H&BC products, party goods and art supplies, and has even upgraded a traditional Bradlees weakness—hardware.

Both Bradlees and Caldor have a high percentage of stores in densely populated urban and suburban sites which will, temporarily at least, cushion the negative impact of Wal-Mart's Northeast invasion, buying time to strengthen their operations further.

ShopKo, Venture, Caldor and Bradlees are not the only regional discount department stores fighting back. Jamesway unveiled its vision of the future this spring in Delaware. The prototype signalled a shift to soft lines, with increased space for apparel, domestics and crafts.

Three discounters who have been in Chapter 11 are also making moves. Ames recently reported its first net profit in three years, shortly after unveiling its answer to the Wal-Mart threat: a discount store with five of as many as 10 possible store-within-a-store formats.

Hills is finally putting a new face on its stores. The long-awaited remodeled unit in Pittsburgh gives a dramatic presentation to Hills' traditionally strong apparel assortments. Special treatment is given to toys, children's wear and women's sportswear, jewelry and accessories, housewares and domestics (see story, page 1).

Stuarts' president Joe Ettore also reports improved financial results due to a reduced payroll, better trafficking through its DC, and merchandising changes, such as expanded assortments of children's apparel (see story, page 6).

Regionals will always be at a disadvantage to the giants—they can't match their capital spending or low leverage. But they can survive, and thrive, by improving internal operations and repositioning stores to better serve customers' needs.

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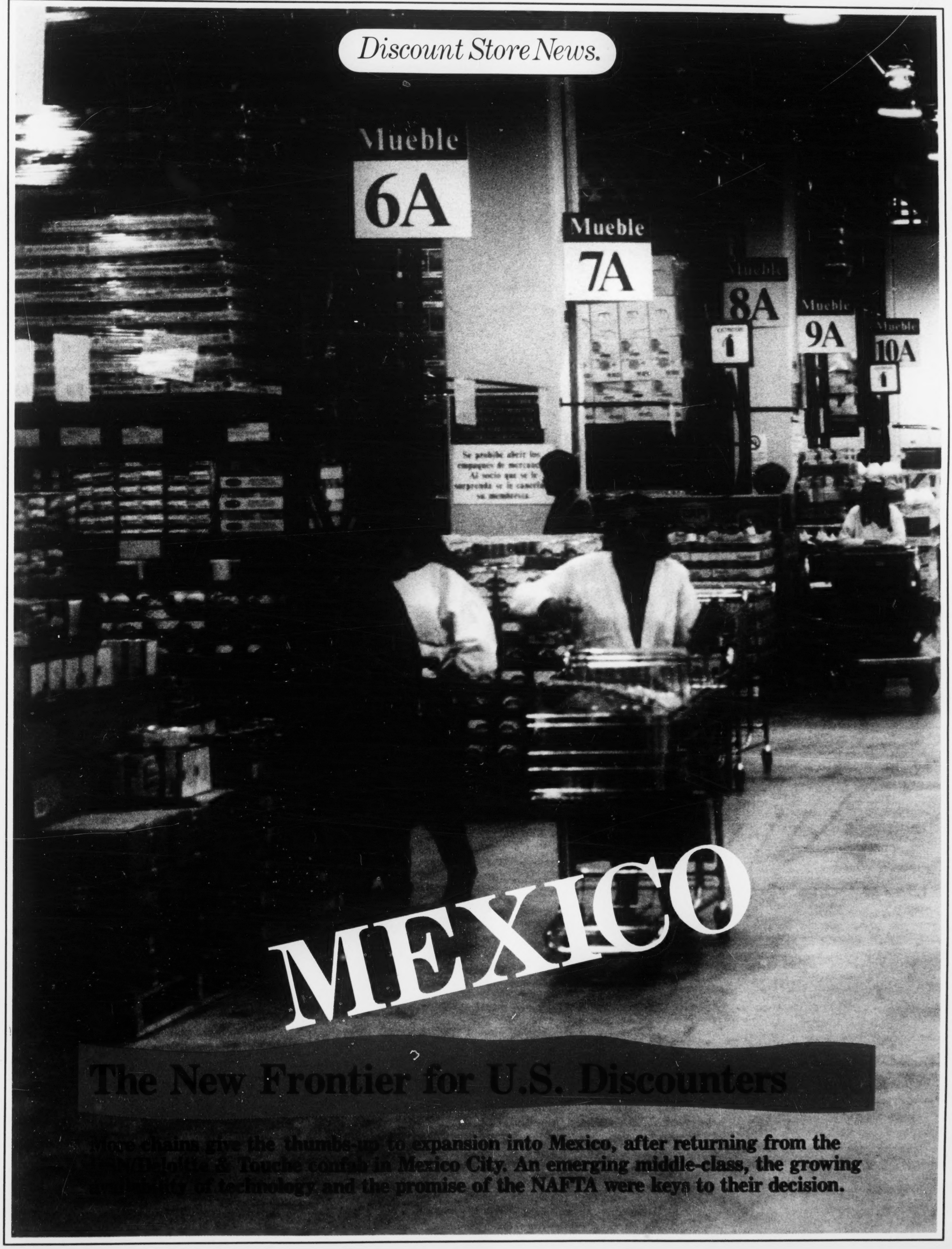
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MEXICO
The New Frontier for U.S. Discounters
More chains give the thumbs-up to expansion into Mexico, after returning from the
Deloitte & Touche confab in Mexico City. An emerging middle-class, the growing
availability of technology and the promise of the NAFTA were keys to their decision.

Mexico: The New Frontier

U.S. Retailers Begin Mexican Invasion

International DSN Report

The list of pros and cons of retailing in Mexico are long, but at least the lists are equally long.

The challenges include targeting a dramatically younger population than exists in the United States, trying to wedge a new store into one of a mere handful of cities, banking on the accuracy of forecasts predicting an emerging middle class, and contending with the rampant black market.

At the same time, interested retailers must also consider the popularity of U.S. goods and stores as evidenced by cross-border shopping habits, the potential of Mexico's growing population and economy, and the importance of carving a niche in the retail landscape before competitors take root.

The verdict appears to be in: Mexico is quickly attracting a Who's Who list of U.S. retailers.

Wal-Mart, Price Co., Sears, supermarket wholesaler Fleming Cos., Oshman's Sporting Goods, Radio Shack, Blockbuster Video, furniture retailer Helig-Meyers, Woolworth and other U.S. retailers are already in Mexico, while chains like PayLess Shoesource, JCPenney, and Value Merchants are seriously considering either joint ventures with Mexican retailers or independent store openings in the country.

Marshalls, the largest off-price apparel chain in the United States, officially has no comment, but industry sources said the chain is also looking to Mexico for expansion.

Many retailers attending a recent conference on "Opportunities in Mexico," co-sponsored by *DSN* and Deloitte & Touche, are preparing for entry into the market.

Victor Wood Jr., senior vice president of PayLess Shoesource, said the company may "be in a position to move forward by September, but has not yet decided which method of entry will be employed."

Michael Porter, executive vice president, retail operations with Value Merchants, said he continues to seek a Mexican partner to open Value Merchant's Everything's $1.00 stores in Mexico because the country "is definitely a growing economy."

Norina Vaira, strategic development manager with JCPenney, said the retailer is "very serious about entering Mexico," but is undecided as to whether a joint venture or independent store opening is the best path.

Woolworth Corp., which gained full ownership of Woolworth Mexicana a year ago when it purchased the remaining 51% interest in the Mexican chain, plans to open two more Woolworth stores this year as it begins an aggressive expansion of its Foot Locker stores as well.

And while Sears in the United States has made an opposite move—selling a portion of its stock back into Mexican hands—Sears Roebuck de Mexico is testing a discount store format called Sears Auto-Servicio and will decide within six months whether it will expand the format. Unlike U.S. Sears stores, all other Sears stores in Mexico are traditional department stores, geared toward an upscale consumer.

One look at the performance of the top 12 retail groups listed on the Mexican stock market—especially in light of U.S. retailer reports—sheds some light on why there is mounting interest in the Mexican retail market: all reported sales increases of between 18% to 26% from 1990 to 1991—even after the affects of inflation were considered.

Inflation-adjusted operating profits climbed between 19% and 26%, based on information compiled by Mexico City-based Galaz, Gomez Morfin, Chavero, Yamazaki, S.C., a member of DRT International.

(Continued on page 47)

This section was researched and written by senior editor Mary Ellen Kelly.

***Gran Bazar hypermarket** is a sprawling version of Cifra's Aurrera units, and even larger than the Club Aurrera format.*

Retailers Must Avoid Pitfalls Of New Market

International DSN Report

Retailers and manufacturers eyeing Mexico for expansion will need to approach Mexican consumers quite differently than in the United States, whether they are trying to create the ideal shopping environment with high-demand merchandise or developing products and marketing campaigns to win a new customer base.

The large youth population, the vast numbers of "economically inactive" individuals and the problem of finding land in the country's few population centers at a cost that allows profitability, are some of the challenges faced by newcomers to Mexico.

While the United States is experiencing a population bulge in the older age groups, Mexico had a bulge of births: more than three

(Continued on page 45)

Leading Discount Retailers in Mexico

(Sales Figures in Millions)			(Store Size in Sq. Ft.)	
Company	**Sales 1991**	**Stores 4/92**	**Proj. Stores 1/93**	**Avg. Store Size**
Grupo Cifra[7]	$2,765	190	232	
Alamances Aurrera	1,199[1]	36	39	67,000
Gran Bazar	NA	2	4	175,000
Club Aurrera[2]	NA	2	4	82,000
Bodegaurrera	559	29	28	45,000
Grupo Gigante[3,7]	1,661	139	147[4]	
Gigante	1,620	109	NA	58,000
Grupo Comercial Mexicana[5,7]	$1,414	130	135	
Comercial Mexicana	1,185	76	81	75,000
Bodega Comercial	110	13	17	75,000
Price Club de Mexico[2]	NA	1	2	110,000
Blanco	$555	93	94	43,000
Soriana	$515	20	23	97,000
Woolworth Mexicana[7]	NA	50	57	
Woolworth	NA	32	34	20,000
Mini Woolworth (tourist shops)	NA	6	6	1,500
Oshman's Sporting Goods[6]	NA	2	3	8,000

Source: *DSN* research

[1]Includes Aurrera and Gran Bazar sales.
[2]Joint venture with Wal-Mart, Bentonville, Ark.
[3]Joint venture with Feming Cos., Oklahoma City.
[4]Assumes 3 of the projected 5 price impact supermarkets to be opened jointly by Grupo Gigante and Fleming Cos. will be completed by year-end.
[5]Joint venture with Price Co., San Diego, Calif.
[6]Licensed by Oshman's but fully owned by Fuerza Vital S.A. de C.V.
[7]Corporate totals include unlisted food and/or non-discount operations.

NA—Not available

Financial data expressed in U.S. dollars were converted at the rate of $3,076.75 pesos to $1.00 U.S., prevalent at Dec. 31, 1991.

Mexico: The New Frontier

Winning Mexico's Consumers a Challenge

(Continued from page 43)
out of ten people are under 14 years of age. Mexico also has less than half the portion of people over 45 than the United States—15% in Mexico vs. 31% here. Nearly seven of every ten people in Mexico is under 30 years old.

Mexico's population is projected to reach 100 million in the next eight years. And while only 31.5 million were said to be "economically active" in 1990, that percentage has been rising, acording to Galaz, Gomez Morfin, Chavero, Yamazaki.

The large number of economically inactive people survive by farming, barter, the black market and other non-employment means.

While retailers and vendors are studying the forecasted Mexico of tomorrow, it cannot be overlooked that the Mexico of today is one where 57% of the people earn roughly $5 to $10 per day, and less than 5% earn more than $30 per day, based on government statistics. But the demographic picture is said to be changing.

According to the official Mexican Government Statistics Bureau, Mexico is already the 14th largest economy in the world, and is projected to be in the top ten in the next decade. And while GNP per capita in Mexico at $2,198 is a fraction of what it is in the United States and Canada ($18,452 and $18,293, respectively), Julio Millan of Consultores Internacionales estimated that figure will more than double to $4,600 in the next eight years.

Henry Davis, president of Grupo Cifra, expects to see a resurgence of Mexico's middle class. "This is the category of consumers that will be growing the most in the coming years . . . these are people who will start to have a more sustained, real growth in their salaries or incomes and, of course, that will increase their disposable income," he said.

Evidence of a strong middle- or upper-class customer in Mexico with a need for more than commodities was reflected in shopping behavior at the grand opening of the first Club Aurrera unit. "The hottest selling items on opening day were Mont Blanc pens, retailing for between $100 and $200," said Herbert Pelka Torres, director for corporate projects at Cifra.

The top-seller at Price Club de Mexico on its opening day was a U.S.-made 18-pack of two-ply Marathon toilet paper at $8.20, said a headquarters spokesman for Price Club de Mexico. A less expensive Mexican-made toilet paper was also available, but shoppers chose Marathon. U.S. brands have a high rate of recognition of U.S. among Price Club de Mexico shoppers; 20% of the 40,000 members hold a U.S. Price Club card and many expect to see duplication of products between the Southern California and Mexico units, the spokesman explained.

The Federal District is a key market for any volume retailer, although finding—and affording—the space is difficult.

"You can sell four times more merchandise in the Mexico City metropolitan area than any other city in the country," said Pelka of Cifra. But, as Francisco Martinez de la Vega, director of administration and finance at Comercial Mexicana noted, "Land in Mexico City can cost $1,000 per square meter. We don't have much land free, and there are restrictions for construction in Mexico City."

All retailers with stores in Mexico City—the Federal District—are faced with both sales volume opportunities on the one hand and the high costs of operation on the other. At 570 square miles, the sprawling Federal District is only 0.1% of Mexico's total land area, but houses more than 10% of all Mexico inhabitants.

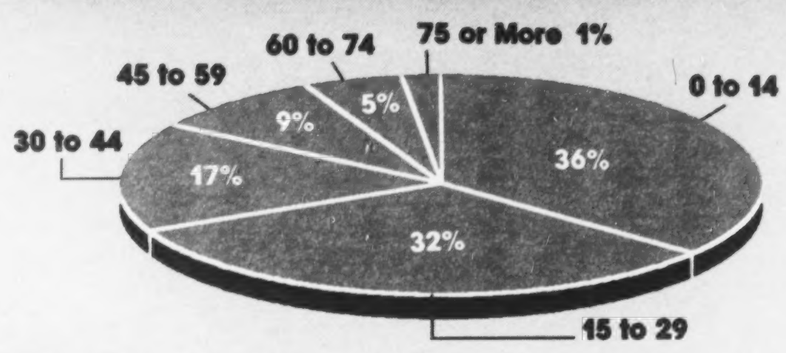
Mexico State—which almost completely surrounds the Federal District—is 8,200 square miles and has 12% of the country's total population.

And because there is a much heavier concentration of economically active people in Mexico City than elsewhere, paying a premium for store space is often the bitter pill retailers must swallow.

Regardless of cost, most of the top retailers in the country are trying to "expand heavily now so that when the population is old enough to become actual customers, they will think of us first," Cifra's Pelka said.

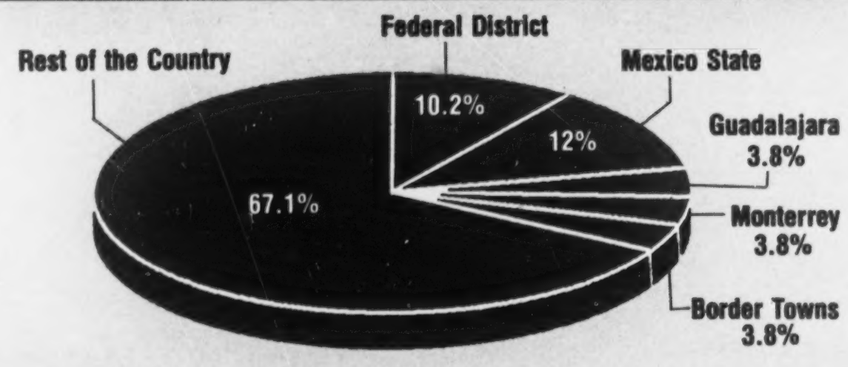
Expansion in Mexico by U.S. retailers is underway for similar reasons. In addition, cross-border shopping from Mexico into the United States, and the popularity of some U.S. goods in Mexico suggest U.S. retailers are already welcomed by the Mexican shopper. Martinez of Comercial Mexicana believes that many Mexicans, "want to feel like they are shopping in the U.S."

Mexico's Population[1] Density by Ages



[1]Mexico's total population as of 1990: 81 Million
Source: Consultores Internacionales, S.C. based on report of National Population Council

Chain Growth: Few Market Options[1]



High Population Density Exists Only in 3 Cities and 1 State
Source: Mexican Government Statistics Bureau

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Mexico: The New Frontier

More U.S. Chains Line-Up for Mexico Entry

(Continued from page 43)

This is the kind of growth seen by few retailers since the discount store heyday more than a decade ago. And discounters—which are almost exclusively hypermarkets in Mexico—are commanding the lion's share of retail dollars.

To get a better idea of the dominance of chain stores in Mexico, one need only consider data that was gathered by ANTAD, the Mexican national retail association. ANTAD's 1,300 members (over 2,500 stores)—which are only 7% of total estimated retail stores in the country—account for 51% of total retail sales in the country.

But while hypermarkets are the leading force in retailing, one of its greatest competitors is the most difficult contender: the black market. Herbert Pelka Torres, director for corporate projects at Cifra, said the underground economy is estimated to be 30% of total GNP and is "one of our toughest competitors."

Jesus Gonzalez Elizondo, chief executive officer of Gsyr, parent of department store chain Salinas y Rochas, estimated that as much as 35% of the electronics business in Mexico is done through the black market.

The forces of the black market coupled with stepped up competition have resulted in price erosion, especially in appliances, furniture and apparel. But while there are problems inherent in the Mexican retail world, there are elements that have the potential to work in favor of the retailer, like distributors. Unlike in the United States, Mexican retailers do not pay for store inventory until long after it is received.

Pelka explained that the company generally "pays suppliers 45 days after delivery, giving us a positive flow of working capital." Retailers from the United States who first heard of this custom during one the sessions at the *DSN*/Deloitte & Touche "Opportunities in Mexico" conference, gasped.

These and other differences between retailing in the United States and Mexico are why Cifra's president, Henry Davis, recommends that U.S companies find a Mexican partner. "This country is different . . . customs are different, values are different, laws are different. If you don't take that into account and you just try to transport your business to this country and operate the same way, it might not work," he cautioned.

A more recent development in Mexican retailing are management information systems and other types of retail technology, now being added at some of the larger chains. The race to be the first retailer with chainwide systems is intense.

As Pelka of Cifra put it during an interview with *DSN* at Cifra headquarters, "The first chain that has the systems used in the United States will have a very significant competitive advantage."

Once technological improvements are made, retailers will be able to take enormous strides in customer marketing, expense control, inventory productivity as

(Continued on page 48)

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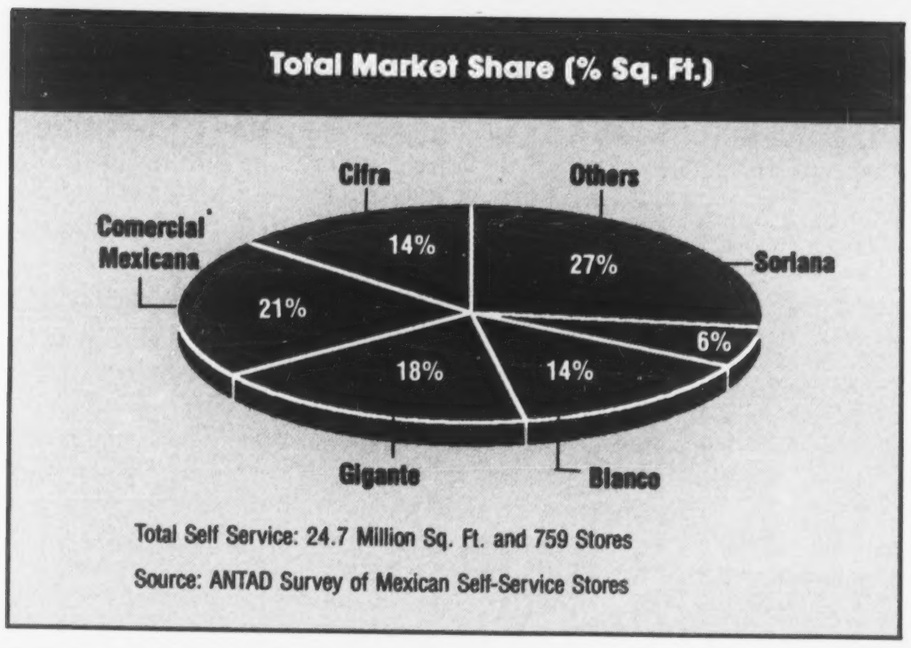

U.S. Retailers Eye Mexico

Popularity of American Goods Bodes Well for Market

(Continued from page 47)
well as store operations.

Cifra spent $100 million during the past two years for satellites, POS, scanners and software, and the benefits already have been numerous. Pelka gave an example of a discovery made in a merchandise category, due to the new systems, that many U.S. retailers would recognize.

"Of the 200 different bottles of a given category—like shampoo, hypothetically—35 varieties generated 80% of sales and 100 bottles, half the assortment, were responsible for 99% of the sales," Pelka noted, "presenting a very significant opportunity to cut inventory."

Cifra is not yet connected to Wal-Mart systems in Bentonville, Ark., but if the number of Club Aurrera units opened climbs, "then it would make sense," he said.

Francisco Martinez de la Vega, financial director with Grupo Comercial Mexicana said three stores had scanning equipment installed last year and the goal is to have 20 more on-line this year. Like other chains, Comercial Mexicana must produce its own bar codes for the domestic goods which do not have bar coding.

While it is possible for Mexican retailers (or U.S. retailers in Mexico) to obtain the technology currently in use in the U.S.—major technology vendors are represnted and support is available—the obstacle is finding manufacturers and distributors who can work with the system, according to Lilian Corvington, senior retail specialist with Galaz, Gomez Morfin, Chavero, Yamazaki.

***Price Club de Mexico** estimated 20% of its shoppers already had a membership card from the U.S. but were Mexican citizens.*

Bar code marking among Mexico suppliers is low, especially in general merchandise. EDI is not yet practical due to the poor communications network in the country. Credit bureaus do not yet exist. Mexican retailers are generally five to 10 years behind the U.S. in application systems/software. Mexican retailers are not as far along in implementing POS/PLU, said Corvington, although scanning in supermarkets is now being implemented.

Software applications now implemented at some stores include inventory control by style or item (although few have the ability to control inventory by color or size); purchase order management and POS. Merchandise planning, store allocation, merchandise planning, replenishment, micromarketing, space management and distribution applications are very limited in Mexico, she added.

Gigante and U.S.-based Fleming Cos. will jointly create supermarkets with better grade foods at discount.

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HomeMarket Trends

May 18, 1992 Special Supplement Discount Store News

Exclusive Research:

Consumers Prefer Discounters
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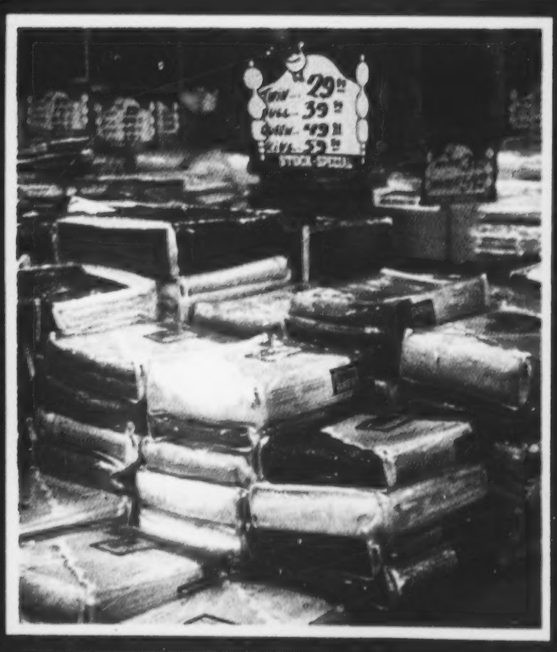
Warehouse Retailing With a Danish Twist
4



CONSUMERS TURN TO DISCOUNTERS FOR THEIR BED & BATH NEEDS

By Pete Hisey

The discount store share of the U.S. bed & bath market continues to strengthen, despite a soft economy that has forced retailers to cut back on inventory and led major mills to pare down their lines. According to a consumer research study conducted by Chicago-based Leo J. Shapiro & Associates for *HomeMarket Trends*, consumers are more likely than ever to shop a discount store for bed & bath needs; additionally, brand loyalty in the area is on the increase.

The strength of the market, which according to the U.S. Census Bureau grew from a little over $1 billion in 1977 to over $13 billion in 1987, is buttressed by three major trends. The most important is a new accent on the home as a haven from the outside world, which has led to increased expenditures on decorative and comfort items. The second is a heightened interest in fashion, which impels consumers to change decorative products more often, and the third is a growth in the establishment of households, a rate that far outstrips growth in raw population.

Overall, about one half of U.S. households reported purchases of bed & bath products in the past year, with younger consumers, who form the majority of new households that then need furnishing, most likely to have purchased. However, more than one-third of older consumers, who can be expected to have purchased most of their needs already, reported such purchases.

Of the 48% of consumers who reported a purchase, nearly half (44%) shopped at a discount store and discounters accounted for 48% of total dollars spent on bed & bath products, respondents said. These figures may be a bit deceptive; consumers now identify a large spectrum of retailers as discounters, perhaps because of the promotional blitz mounted by cash-strapped department stores. One in 10 shoppers who reported a purchase at a traditional department store felt that store was a discounter in the bed & bath category. And, a significant amount of Sears shoppers (16%) now feel Sears is a bed & bath discounter, which compares to only 4% of Sears electronics shoppers who felt that way.

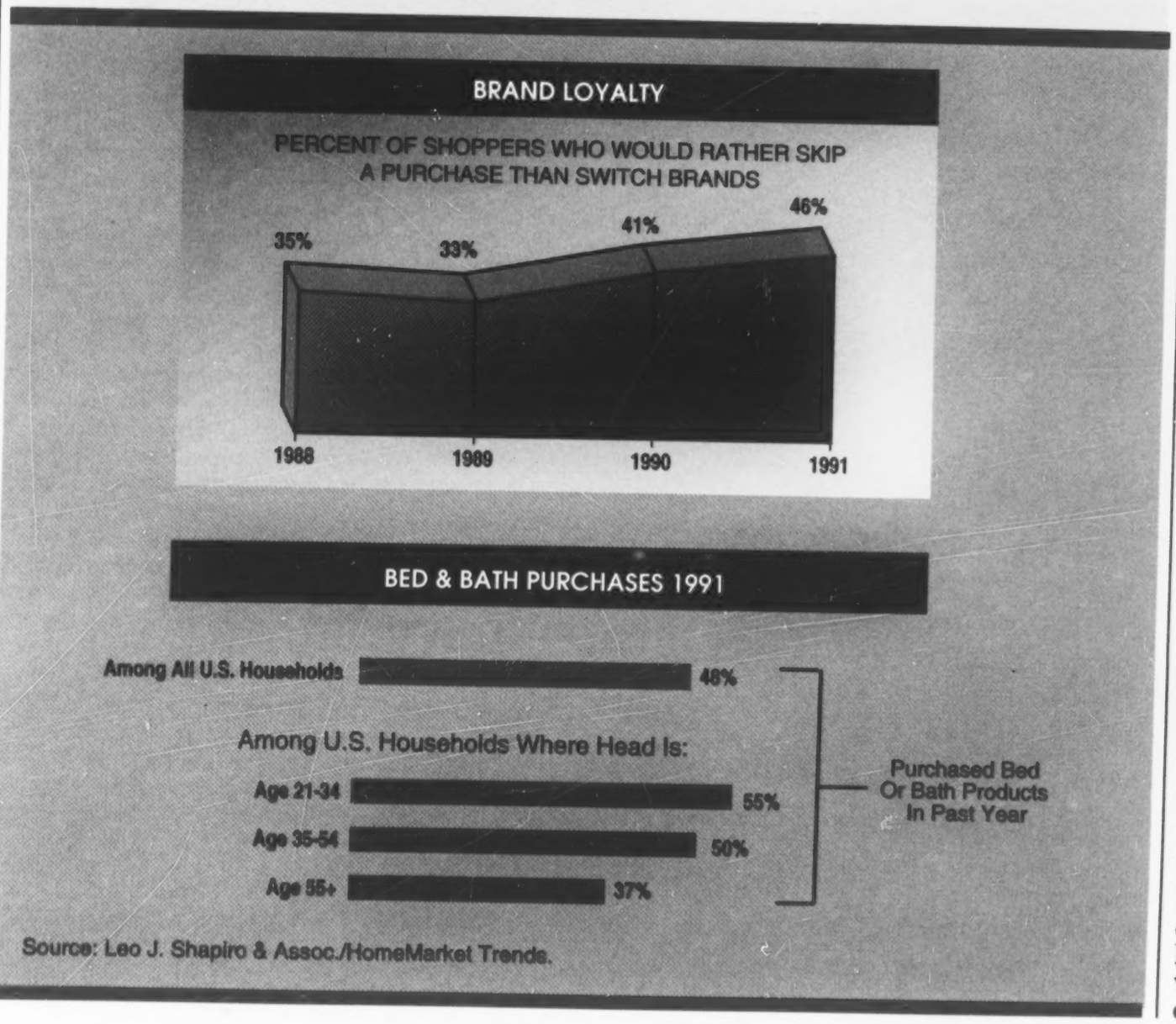
Overall, discounters were No. 1 with consumers, followed by the "other" category that includes specialty chains with 25%, department stores with 20%, national mass merchandisers like Sears and Ward with 11%, and warehouse clubs, outlet stores and off-price apparel stores, with, respectively, 3%, 2% and 1% of sales.

Of major discounters, Wal-Mart held a lopsided edge over its competitors, an edge that probably isn't reflected in actual sales. About 16% of consumers who bought bed & bath goods said they got them at Wal-Mart, compared to 9% at runner-up Kmart and 3% at Target. While Wal-Mart is No. 1 in bed & bath sales, its edge is not as dramatic as consumers reported.

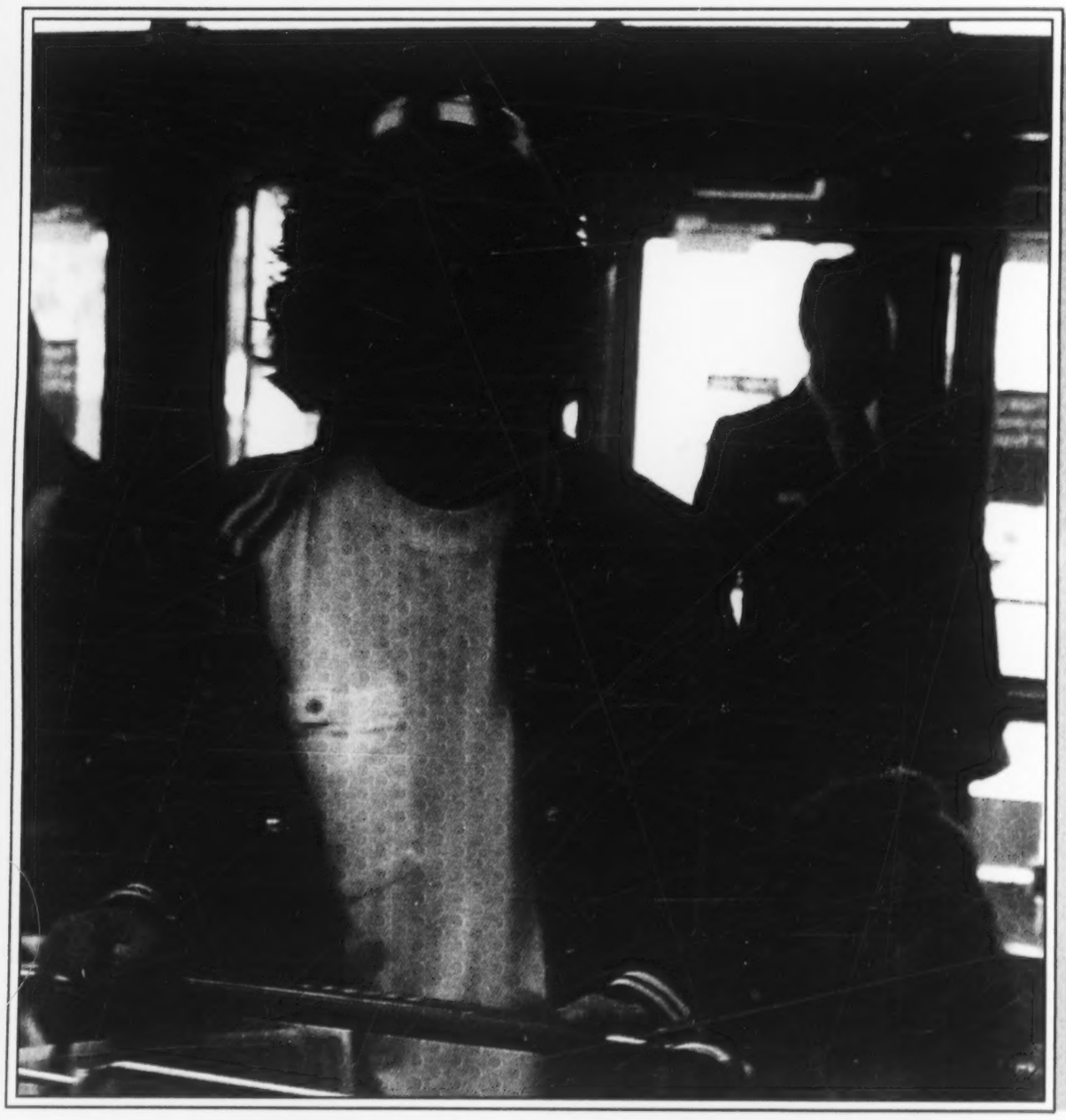
The new emphasis on bed & bath at discounters, with departments and assortments expanded industrywide and the departments themselves often moved closer to the front of the store, has resulted in the category now the fourth most dominant in terms of share-of-market. Discounters account for 48% of bed & bath dollars spent, a percentage matched or eclipsed in the 16 major categories only by children's apparel, toys, non-prescription drugs and personal care products.

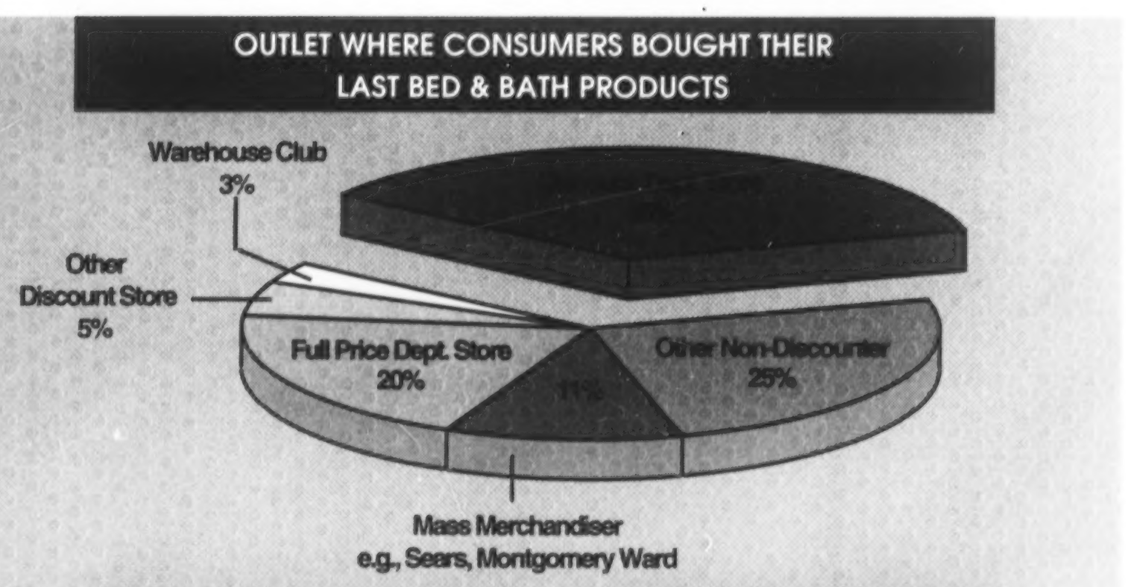
Discounters as a whole were preferred in bed & bath by young, lower income, less educated and blue collar workers, but that tells only part of the story. While those with incomes under $30,000 were clearly discount shoppers, nearly 40% of dollars spent by those with incomes over $50,000 also went to discounters. Over half of bed & bath dollars spent by college graduates went to discounters, and white collar workers were actually

Overall, about one half of U.S. households reported purchases of bed & bath products in the past year



CONSUMERS TURN TO DISCOUNTERS FOR BED & BATH NEEDS




OUTLET WHERE CONSUMERS BOUGHT THEIR LAST BED & BATH PRODUCTS
Warehouse Club 3%
Other Discount Store 5%
Full Price Dept. Store 20%
Other Non-Discounter 25%
Mass Merchandiser e.g., Sears, Montgomery Ward

Source: Leo J. Shapiro & Assoc./HomeMarket Trends.

more likely (by a tiny fraction) to shop at discounters.

Regionally, discounters were strongest in the North Central region and the South, and weakest in the Northeast. Kmart, the nation's second most popular chain, was dominant in the Northeast, while Wal-Mart dominated the South and North Central regions. JCPenney finished third overall, with particular strength in the North Central region. Mervyn's was strong in the West, but nearly non-existent anywhere else. Meijers was a strong player in the North Central region, where all of its stores are located.

Warehouse clubs, led by Price, were dominant in the West, but barely accounted for 2% of sales elsewhere, and manufacturer outlet stores fared best in the Northeast. Discount apparel stores were a factor only in the South, while non-discount stores, mainly specialty shops, accounted for close to 40% of sales in the Northeast and significantly less elsewhere. These figures conform closely to the actual locations of the various chains.

Wal-Mart's bed & bath customer profile varied significantly from the overall discount shopper. It was skewed heavily toward younger shoppers and to those with incomes under $30,000. Singles do not shop Wal-Mart (even less than at other discounters), and compared to Kmart, middle-income households don't either.

Discount bed & bath shoppers are not particularly brand loyal (less than half had a brand preference), but those that are tend to be *very* loyal. Of those with a preference, 46% said that they would skip a purchase rather than switch brands, up sharply from 35% in 1988.

Shapiro explains a large amount of the growth of the bed & bath market (and the mass market's increasing share of it) in terms of household formation growth. During the 1977 to 1987 period (the latest years available), the U.S. population grew 10% while household count increased by 20%. With more young people remaining home longer, and the continuing trend away from the extended family, there remains a significant potential for even further household growth, with an attendant bulge in home furnishings sales. ■

Consumer Brand Preference for Domestics At Discount Department Stores

	Avg. Ranking Past 4 Years	Current Ranking
Cannon	1	1
Martex	2	3
Fieldcrest	3	4
Pepperell/WestPoint	4	2
St. Mary's	5	—
Burlington	6	6
J.P. Stevens	7	5
Dan River	8	9
Springmaid	9	8

Source: Leo J. Shapiro & Assoc.

Wal-Mart's bed & bath customer profile varied from the overall discount shopper

Partnering at Core of QR in '90s

By Arthur Markowitz

Mills and their customers pioneered the concept and now it's becoming *de rigeur* for retailers and their suppliers.

The concept is QuickResponse. Here are some key findings and observations from studies and reports released during the last four months on QR and the retailer/vendor relationship at the heart of this simple but powerful concept:

A growing number of retailers believe that the strategic vendor partnering at the core of QR "is a top priority for the rest of the decade." But the retailers, who participated in the National Retail Federation's Riscon 1991 *Strategic Vendor Partnership* survey "were candid in citing why closer cooperation isn't yet the rule . . . with technological 'know how' and culture being the greatest barriers" to establishing such relationships, according to the study by Andersen Consulting.

The survey noted that 80% of the responding retailers—discounters, conventional department stores, specialty stores and independent retailers—are working on one or more of these three strategic vendor partnership elements: identifying key vendors; establishing partnerships with these vendors, and working together to streamline operations.

Overall, 28% of the respondents have initiated pilot programs with vendors. Discounters "are clear leaders" in this endeavor, Andersen Consulting commented. Almost 30% of the discount respondents have pilot programs with either less than 50 vendors or with more than 100 vendors.

For retailers like Wal-Mart and Kmart, strategic vendor partnershipping means starting to give suppliers the responsibility to manage inventories in distribution centers or in stores, according to a presentation made at the NRF Retail Directions '92 conference by three Kurt Salmon Associates executives. The retailers give selected vendors sales and inventory data and check their performance on maintaining a strong in-stock position while boosting turns.

Overall, however, partnershipping in the form of information sharing has a way to go. Andersen Consulting's findings showed that over 70% of the retailers *didn't* share data with vendors, with confidentiality cited as the reason. "Among retailers who share (or plan to share) information, sales data is/will be shared much more often than inventory data," the study added.

On the positive side, retailers' commitment to QR in general continues to grow, the NRF's fourth Bar Code/EDI/QR survey found, with 38% of the responding companies planning to or already implementing such programs, up from 33% in the previous study. The practical execution: 44% of the retailers committed to QR currently scan bar coded goods and 46% currently use EDI with vendors, according to the study prepared by Deloitte & Touche.

There's a fairly rapid payback—return on investment—from using the various identification/communication technologies that make QR possible, an Automatic Identification Manufacturers Inc. study noted. AIM compiled its report from information that was gathered by members (equipment manufacturers) who surveyed customers like retailers using the different technologies.

AIM's ROI survey found that the average cost of bar code readers at the point-of-sale was more than $400,000, with an average payback time of 12 to 18 months. POS magnetic stripe readers had an average cost of $5,000 to $10,000, with average payback in three to six months.

Overall, the average value of POS systems using bar code and magnetic stripe technologies was $51,000 to $100,000 and the average payback time was six to 12 months.

Determining the ideal QR program suited to a retailer's unique merchandising mission can be difficult. Cleveland Consulting Associates warned that "a key trap for today's retailers is the generic QR programs offered by vendors based on terms they have established with other customers." A CCA White Paper, *Responsiveness by Design: Making the Most of QuickResponse*, noted that "the typical offering runs along the lines of 'here is our QR program—and by the way, we're dealing this way with Wal-Mart'."

The study adds: "In fact, your business may have nothing to do with how Wal-Mart runs its business. While prior arrangements may provide useful guidelines and insights . . . chances are slim that the program as outlined represents the best solution for your unique retailing objectives. Importantly, this means taking a hard look at the QR programs being offered by major vendors—and requesting different terms as appropriate."

The *Strategic Vendor Partnership* survey reported that among the responding retailers, 80% use or are planning to use POS with scanning; 75% use or plan to use EDI; 75% plan or actually UPC mark goods, and 65% plan to or use Shipping Container Marking.

While these use or plan to use figures are impressive, the reality is somewhat different. Just under 50% of the retailers are actually using EDI, but only 7% transmit a majority of their purchase orders via EDI. Among discounters, 40% send less than 25% of their POS through EDI, with the remaining chains transmitting anywhere from 25% to 100% of their orders electronically, according to the Andersen Consulting findings.

Scanning has become the basic program for QR, with UPC the dominant standard format for internal retailer use, the NRF's fourth annual Bar Code/EDI/QR survey found. But other code marking for special uses is growing, according to the Deloitte & Touche study, with planned or actual use of Interleaved 2 of 5 tripling and Code 39 and Code 128 also becoming more accepted.

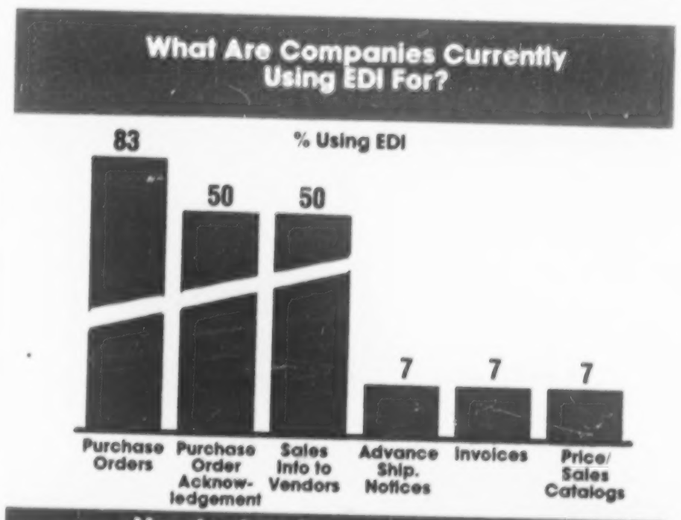
The Bar Code/EDI/QR survey noted that "while the majority of UPC programs are retailer initiated, one-quarter [of the respondents] stated that their programs were jointly initiated by both retailer and vendor." Retailer prepared bar codes "continue to outpace the use of vendor marked bar codes by a wide margin, though over 70% of respondents committed to scanning use or plan to use vendor marked" UPC, according to the Deloitte & Touche findings.

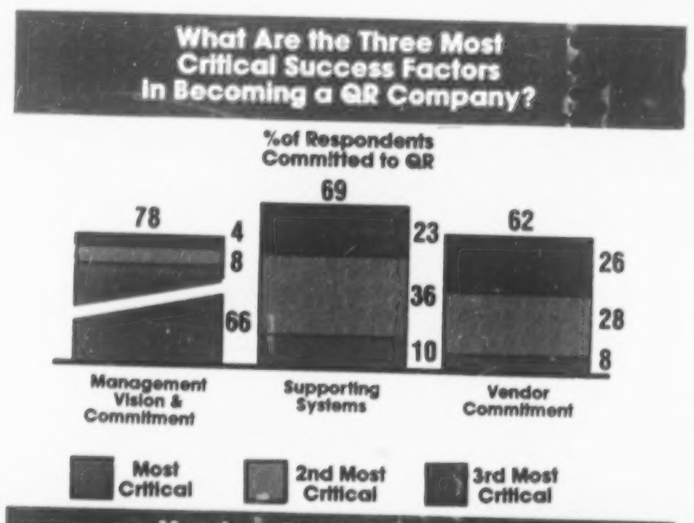
Retailers' mainly use scanning at the POS to capture sales information. But the use of it to enhance customer service by speeding up the checkout process through automatic price look-up is growing. The Bar Code/EDI/QR study reported that only 31% of those surveyed *didn't* plan to use PLU at the POS, down from 37% in the previous study.

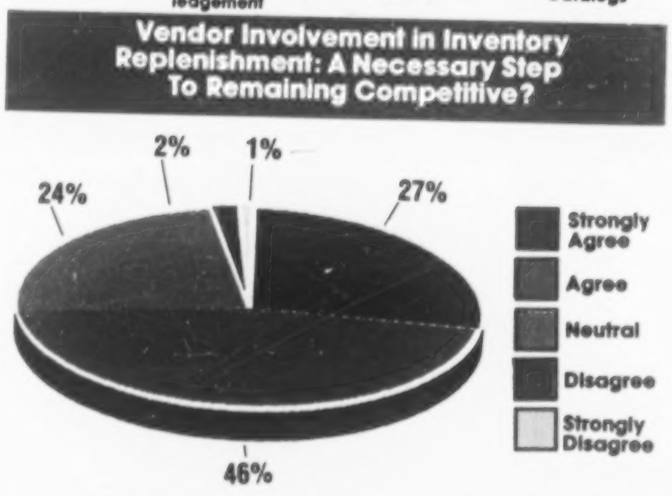
Scanning for non-POS is also important to the majority of retailers committed to this technology. The study noted that 89% used scanning for some non-POS function. Inventory taking was cited by 82%; warehouse functions by 58%; transfer of merchandise by 49%; shipping container marking by 48%, and shelf stock purposes by 26%.

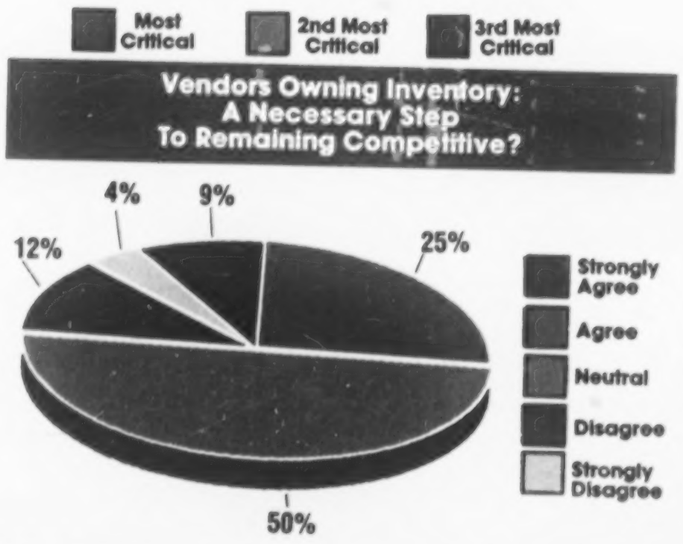
Copies of the individual studies are available from: NRF, (212) 244-8780; Andersen Consulting, (312) 580-0033; Deloitte & Touche, (212) 492-2910; AIM, (412) 963-8588, and Cleveland Consulting Associates, (216) 449-3600. ■

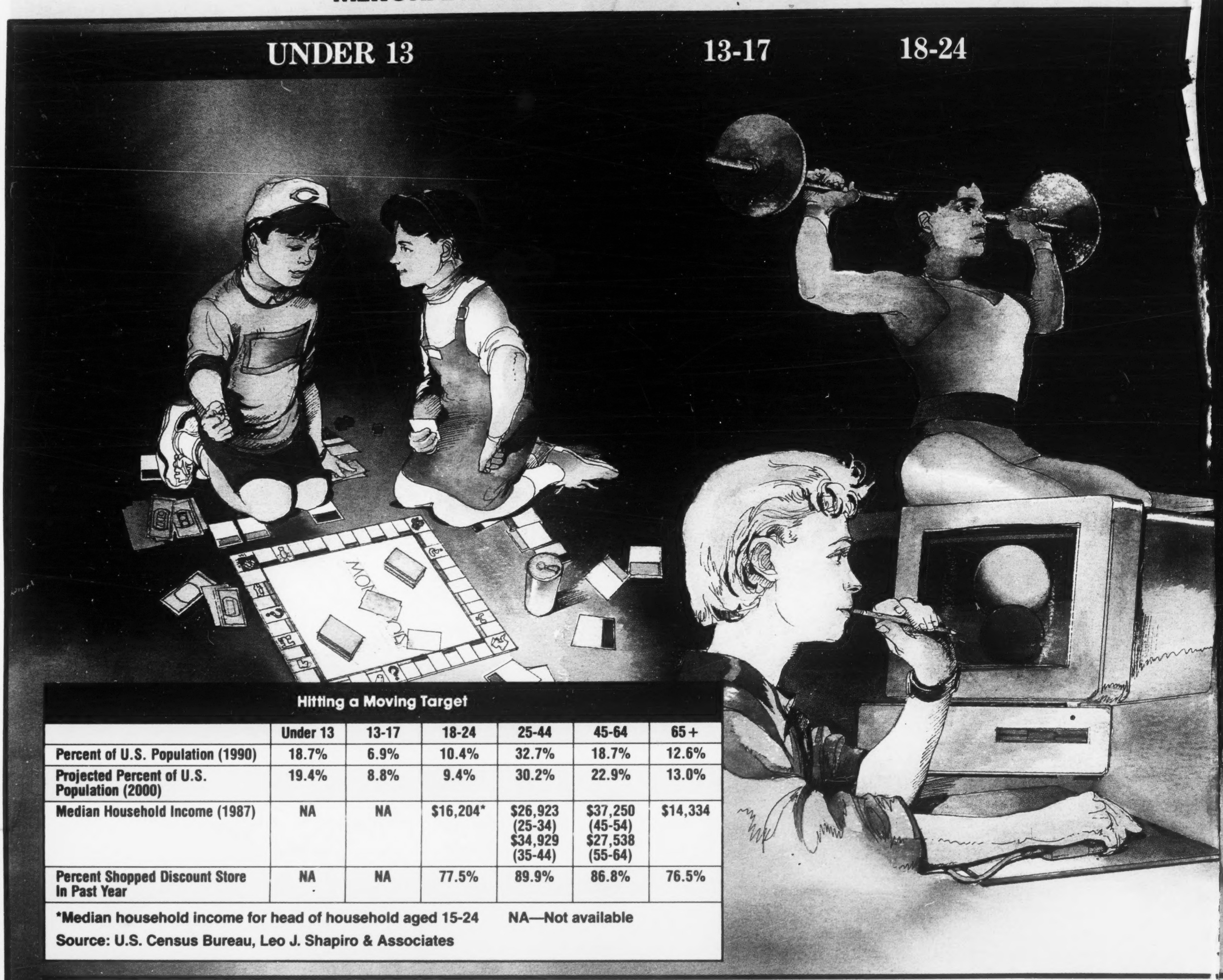
Overall, however, partnershipping in the form of information sharing has a way to go.











Hitting a Moving Target

	Under 13	13-17	18-24	25-44	45-64	65+
Percent of U.S. Population (1990)	18.7%	6.9%	10.4%	32.7%	18.7%	12.6%
Projected Percent of U.S. Population (2000)	19.4%	8.8%	9.4%	30.2%	22.9%	13.0%
Median Household Income (1987)	NA	NA	$16,204*	$26,923 (25-34) $34,929 (35-44)	$37,250 (45-54) $27,538 (55-64)	$14,334
Percent Shopped Discount Store In Past Year	NA	NA	77.5%	89.9%	86.8%	76.5%

*Median household income for head of household aged 15-24 NA—Not available

Source: U.S. Census Bureau, Leo J. Shapiro & Associates

Keeping Tabs on Consumer's Needs Poses Challenge For Retailers

By Don Longo

My 12-year-old son can cook a meal for himself. He uses mousse to keep every follicle of his closely cropped hair in place. His room has a color TV, a stereo cassette player and an 8-bit Nintendo game deck. He doesn't really believe the outlandish claims of sneaker makers like Nike and Reebok that their athletic footwear will make him soar like Michael Jordan or Patrick Ewing, but he *had* to buy a pair of Asics with the green neon stripe. After all, the heavily advertised brands "are made better, right Dad?"

His 8-year-old sister is nearly as independent as he is. She owns every type of Barbie doll in creation, loves the TV show "Beverly Hills 90210" (Luke has replaced Donnie from the New Kids as her favorite heartthrob), and packs her own color-coordinated wardrobe when she visits friends on weekends. She has her own Nintendo deck in her room and she was as excited as her brother with the in-line roller skates they received as Easter presents.

Like most single consumers, I'm more likely to shop a traditional department store or specialty store for apparel. But, I won't pay an outlandish price just to have a prestige logo sewn on the rear of my pants. I find myself shopping more and more often at discount department stores, warehouse clubs and specialty discounters for

a wide range of products for myself and my children.

My father retired three years ago from his factory job. Now he works part-time as a sales associate for a major retailer to supplement his social security check. With the mortgage paid off, he and my mother have more disposable income now than when he was working full-time, yet they tend to frequent the same value-oriented retailers they've utilized in the past for their shopping needs.

Kids, adults and elderly consumers today are far different from their counterparts of a decade ago. A decade from now, their needs and aspirations will be altered even more.

The changing makeup of the U.S. population will create new opportunities and problems for retailers as the baby boomers age and are replaced by the baby bust generation. For example, the largest current segment of the U.S. population (25 to 44 year olds) are also the most active discount store shoppers. By the year 2000, the 25 to 44 year old segment will contract, while the number of consumers aged 45 and older will expand significantly. Discounters' ability to maintain these consumers as loyal shoppers will be key to their future success.

(Continued on page 56)

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Core Group Shrinks as Boomers Age 93

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MERCHANDISING THROUGH THE AGES

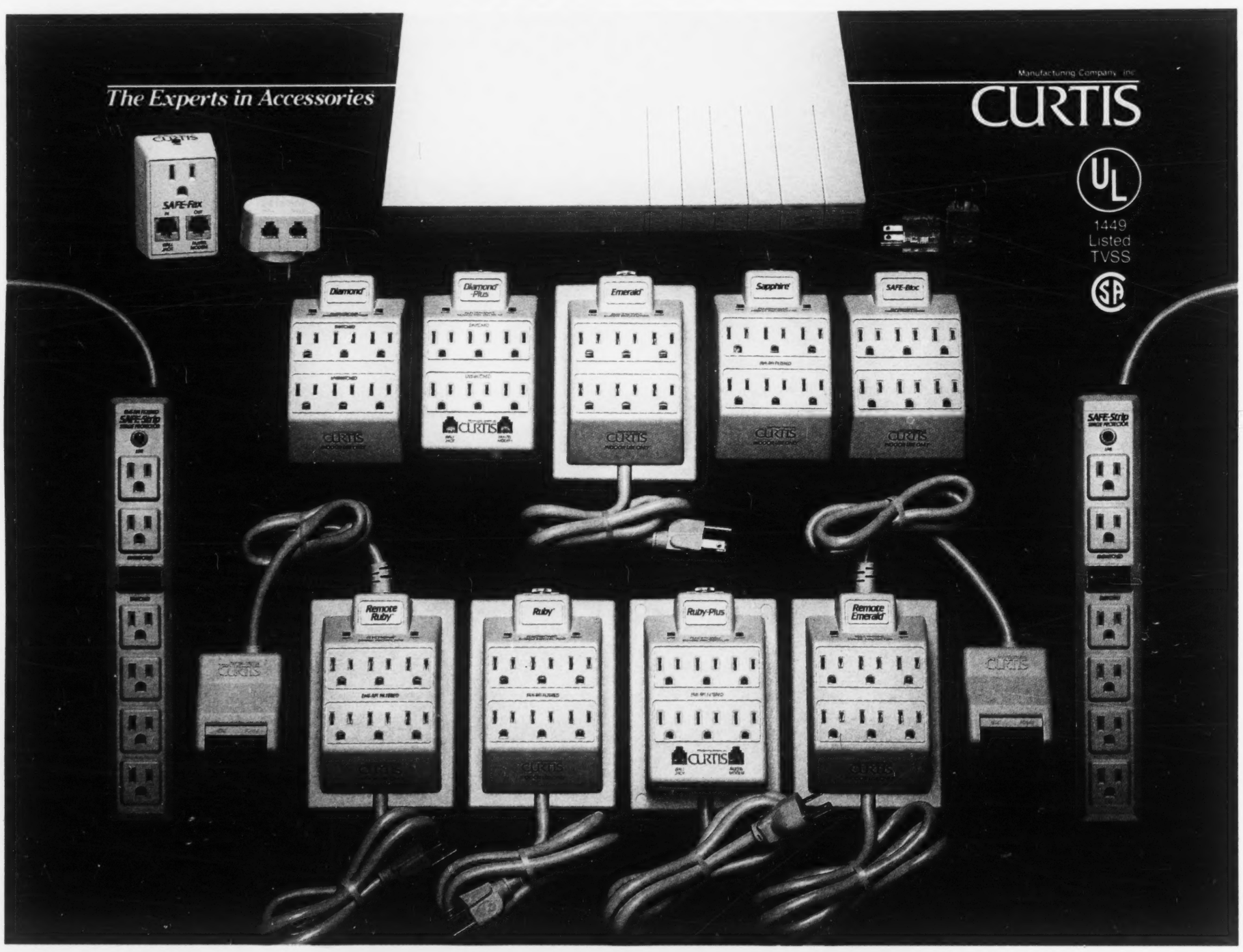
Maintaining Loyal Customers is Key to Success

(Continued from page 55)

Few retailers will argue that effective marketing requires an understanding of consumer market niches. This special section of *DSN*, titled Merchandising Through the Ages, shows how demographic changes in the U.S. population will effect market research, the development of new products, and the way those products are advertised and displayed in stores.

Here's just a sampling of some of the demographic changes retailers must respond to in the coming years:

- 24% of kids 8 to 12 have paying jobs: including babysitting, delivering papers and mowing lawns. Their favorite video game is still Nintendo (77%), followed by Sega Genesis (12%).
- 62% of kids that are under the age of 13 prepare at least one meal a week on their own. Baseball is their favorite TV sports event (33%), followed by basketball (26%).
- 89% shop with a parent for sneakers; 7% without. • 83% shop with a parent for clothes; 9% without. Sixty-two percent shop with a parent for toys; 28% without. And, 37% shop with a parent for candy; 56% without.
- Teens aged 12 to 19 have $50 on average to spend every week and it's all disposable income.
- The profile of computer consumers is shifting toward the female perspective—nearly half of one major retailer's personal computer customers are women! The age of purchasers is also crashing: 11% are between 18 to 24, and one-third are 25 to 34. The formerly prime computer customer aged 35 to 54 is declining in importance (perhaps because they already own theirs).
- Younger consumers love thrift shops and vintage clothing stores. Not up to the Gap yet, but a strong trend that values recycling, individuality and a sense of the past, as well as just plain thriftiness. "If I find something at a vintage clothing store, I'm not going to see it on everyone else a week later," one 17-year-old said. That carries over to discount stores as well, where they feel they can get decent looking stuff that is well-made and cheap.
- The testing on animals issue has made more of an impact on younger consumers than any other, in absolute terms. Teens will respond extremely well to products that don't test on animals. In a survey, virtually all respondents said they wouldn't touch animal-tested makeup and other products, and in a focus group, they were even more proactive, saying they'll buy only the makeup that advertises no animal testing. These figures were much higher than, for instance, concern for ecology and concern about AIDS, two other top issues.
- Of families headed by baby boomers aged 35 to 39, 69% include children under the age of 18. Dual income married couples raising kids represent the largest slice of the U.S. household pie, a 19% chunk.
- Empty nesters, 45- to 65-year-olds without any children at home, accounted for 13% of all households but have the average highest household income of all groups at $53,800.
- One out of five people aged 65 to 74 is still in the labor force. The American Association of Retired Persons (AARP) is the second largest membership club in the nation, with 4,000 new members signing on daily.
- People aged 95 to 99 were the fastest growing five year age segment in the country, from the 1980 census to the 1990 census, nearly doubling (96% increase to 257,000 people.) People aged 100 or older were the second fastest growing age group, rising 76.6% to 57,000 in 1990.



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MERCHANDISING THROUGH THE AGES: UNDER 13

UNDER 13

Small Children With Deep Pockets Can Be A Retailing Goldmine

'Kids . . . appreciate when a company . . . recognizes them as a group.'

—Donna Sabino, Sports Illustrated For Kids

By Jill Lettich

In merchandising and marketing to children, the key is to "bag the adults," advises Marian Salzman, president, BKG Youth, New York, and "always include a gimmick."

The marketing and consulting firm has other marketing rules for retailers and manufacturers targeting the kids' market, but children between the ages of 3 and 12 are a complicated lot that often defy any explanation.

Not at all loyal to stores, easily manipulated by peer pressure and just plain fickle, what could a retailer see in this group?

For one thing, there's the $132 billion in purchases that children directly influence each year. Children also have $8.8 billion of their own money that they willingly spend on apparel, toys and assorted goodies.

Nationwide, children also manage to put another $7 billion in the bank, a savings record better than some of their parents.

James McNeal, a marketing professor at Texas A & M University, has been tracking kids shopping habits since 1968 and he expects the figures above to continue to increase. The impressive increases will be hard to ignore, and may be hard for retailers to believe.

The rising dollar figures are partly attributable to a still rising birth rate. At the peak of the baby boom, 1964, there were just over 4 million births in the United States. Inevitably, the baby boomers had babies, but the U.S. Census Bureau and other demographers underestimated the fertility of the American population. The Census Bureau predicted the boomlet would peak in 1988, at 3.2 million births. But in 1990, there were 4,179,000 babies born. That's a neat new customer base for retailers.

In research done by BKG Youth with Gannett for Kids, children were found to spend $7.02 a week.

About 55% of children reported receiving an average allowance of $13.29 a week.

Both retailers and manufacturers have reacted to the baby boomlet with specific product introductions and increased space for children's merchandise in stores.

According to a number of consultants, it is only in the last year, however, that the importance of merchandising and marketing to children directly or at least jointly to parents and kids has been realized.

"In the last year and a half the retail community has finally woken up," said Salzman. "We've had more companies coming to us for promotional ideas to get kids into the stores; events that they will drag their parents into."

Retailers, however, seem to be lagging behind other industries in the effort to attract kids. It was the manufacturing and publishing community that has been more aggressive in recognizing the market potential.

Sports Illustrated for Kids is one example of how companies are tailoring products for a younger age group. The magazine, written for a 5th grade reading level, is slick and glossy, with stories about professional athletes as well as young sports amatuers.

The magazine targets 8- to 14-year-olds and in two years has managed to garner 888,000 subscribers. That's enough to attract what Donna Sabino, research manager, calls an "untraditional" roster of advertisers that includes Toys "R" Us, Gatorade, Nike and, perhaps less expected in the children's market, Duracell and Centel Corp.

"When we ask kids what they like most about the magazine, the biggest response is always 'cause it's for kids,' " said Sabino. "Kids are in tune to the advertising as well, and appreciate when a company or product recognizes them as a group."

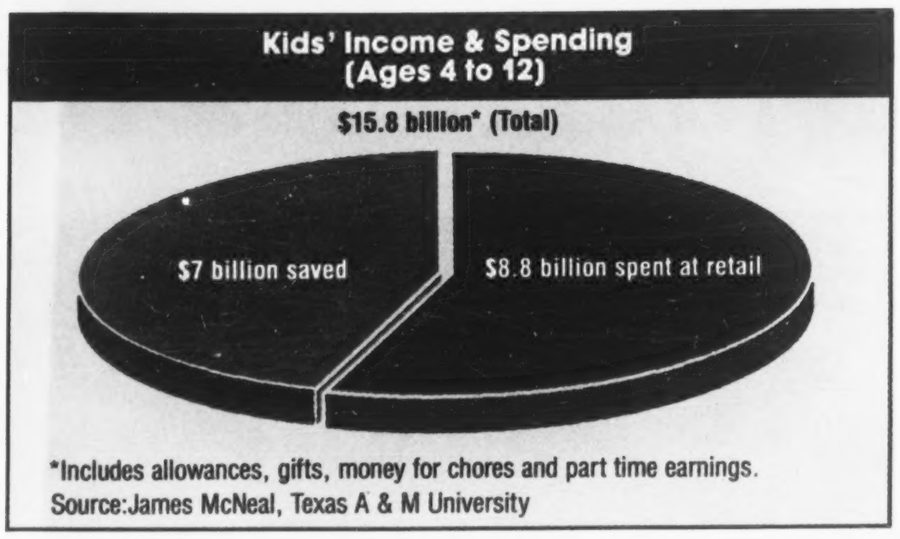
Because of its adult namesake, *Sports Illustrated for Kids* had a high recognition rate before it even hit the stands. Current efforts to directly promote the product include marketing through school book clubs, magazine inserts and some TV advertising on children's channels such as Nickelodeon.

Another publishing success is *Zillions: Consumer Reports for Kids*. Published by Consumers Union, Yonkers, N.Y., publisher of the ad-free *Consumer Reports*, this kid's version has been in existence since 1980, when it was called *Penny Power*. In 1990, the publishers realized *Zillions* better described the spending power of kids and renamed and redesigned the publication. Bi-monthly issues have

(Continued on page 65)

MERCHANDISING THROUGH THE AGES: 13-17

Kids' Market Can Yield Full-Grown Profits


Kids' Income & Spending
(Ages 4 to 12)
$15.8 billion* (Total)
$7 billion saved
$8.8 billion spent at retail
*Includes allowances, gifts, money for chores and part time earnings.
Source:James McNeal, Texas A & M University

(Continued from page 58)
had young testers reviewing everything from frozen yogurt to video games, skateboards and bicycles.

There continue to be plenty of products for the kids to test. The importance of the kids' market has fueled numerous introductions of children's products and services not limited to the traditional areas of toys and apparel.

Health & beauty care featuring licensed characters such as Barbie are a growing trend. Delta Airlines even has a Fantastic Flyers program that targets children between 2 and 12.

The challenge for manufacturers and retailers is to get a child's attention and help him or her choose their product over all the others. "Though the spending figures are up, we have preliminary data that shows store visits by children are down," reported McNeal. "Parents don't feel as safe as they once did in letting a child roam the mall." That has made the marketing effort to children even more difficult in recent years.

For retailers, interaction is the name of the game. It's the crucial element in getting, and hopefully keeping, a child's interest. Positioned correctly, even a hard lines 'adult' store such as Lechmere manages to rate higly in the minds of children.

Salzman of BKG Youth, reported that Lechmere was named frequently as a favorite retailer among children in focus groups.

While the retailer has not independently studied the children's market specifically, Elaine Richie, director of external relations for Lechmere, speculates that the store's customer-friendly environment accounts for the positive rating.

"We have a children's learning section that features computers and video games," she noted. "It is a hands-on environment. All the toys have batteries in them so that they can play with everything. We even have electronic toys for preschoolers such as a ball that rolls around and makes different animal sounds."

According to Richie, the environment fits into Lechmere's overall hands-on strategy.

Interaction is also the direction that Sears is taking through its Kids & More department. The section features a play area and working video games within the department.

Even in the apparel category, where the play value of an item is relatively low, interaction is important.

Valerie McGuire, account manager, Gitano, said that specially designed hangtags for its children's wear provide play value and also manage to keep the Gitano name in the forefront.

"In sizes 4 to 6X, we use hangtags with jumble puzzles on them. Kids like the interaction and instead of just throwing a tag away once it comes home, it is in the child's and mother's hand a little longer," she said.

For toddler sizes, pictures of animals with their names spelled out provide a learning opportunity for kids.

"We know we need to cultivate kids' brand awareness," she said, a task that is increasingly directed to younger and younger customers. "By the time a child reaches first grade they have already made an independent purchase, usually food," she noted.

In addition to hangtags, McGuire reported that Gitano is also looking toward designing playful fixtures and interactive displays for kids. "This would include little building blocks and other interactive POP material. We haven't done any real giveaways for this market, however," she said.

McGuire noted that Gitano's studies have found shopping behaviors are developed when children are as young as three years of age. "A 1-year-old will accompany a parent and observe; at two, they accompany parents and

(Continued on page 73)

Sears Trying to Put Fun Into Kids' Dept.

***Many Sears stores now have Fun Tronics shops** in their Kids & More departments, which feature a variety of electronic games, such as Nintendo and Sega, which kids can play while their parents shop.*

CHICAGO — "Competition is extremely tough in the children's area and we realize that we have to keep updating the department," said John Duvic, national merchandise manager, children's division, Sears. "We're trying to make the shopping experience fun rather than a drudgery."

Through its Kids & More department, now in 800 stores nationwide, Sears has taken the first steps in creating what it hopes will be a fun shopping destination for children and their parents.

But this is a volatile market, and Duvic is already adjusting the focus of the department to mirror important trends.

The Kids & More department was designed to showcase all related children's items in one place, including apparel, toys and juvenile furniture. That makes shopping easy for the parents. For kids, the department in larger Sears stores features a play area, a jukebox and a "Fun Tronics" section where older kids can play video games.

"I don't know of any other retailer that has tried to bring hard lines and soft lines together in this way," Duvic said.

The success of Fun Tronics especially, which Duvic claims has increased sales in electronic games, has inspired a revamp of the area and a rethinking of the purpose of the department.

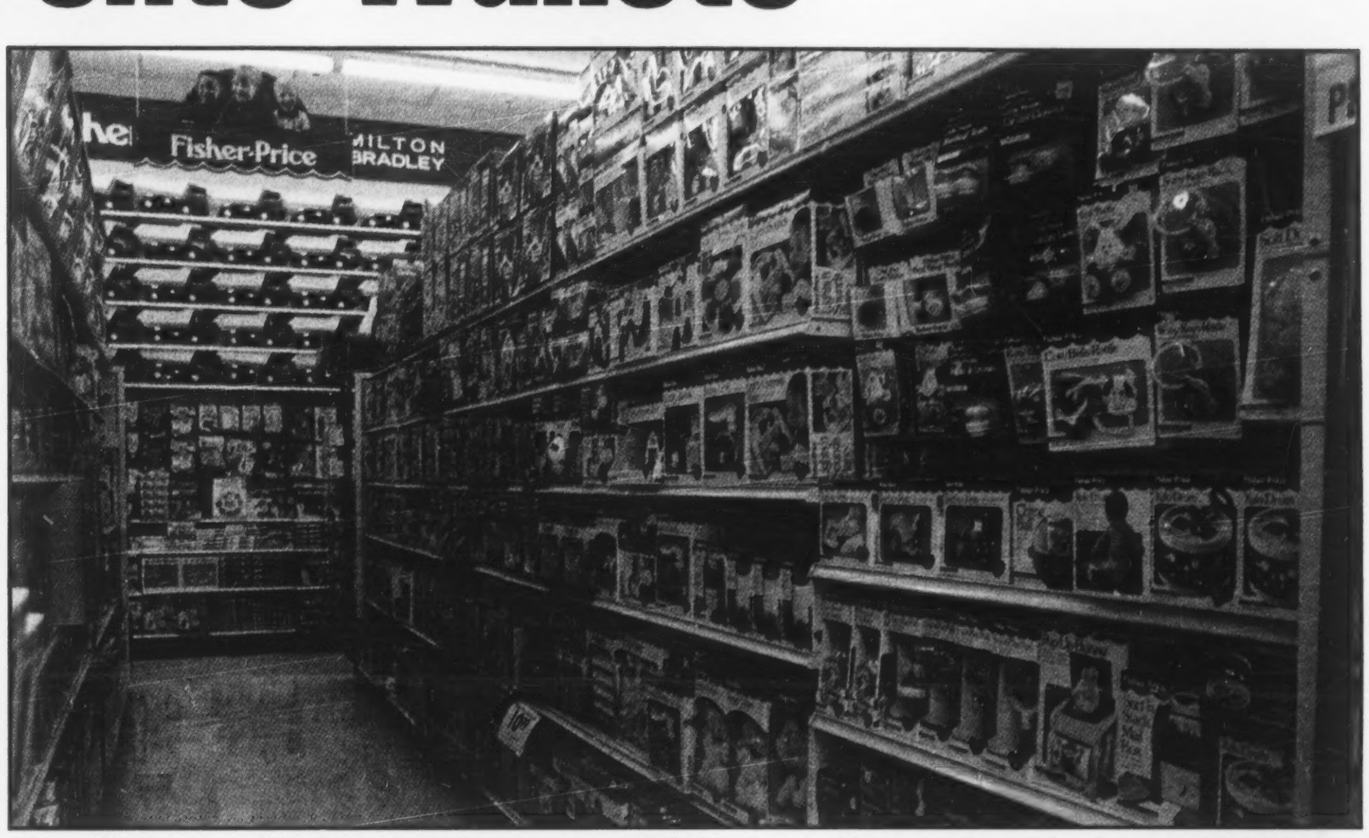
In the future, "the 'more's' in the Kids & More department are going to be merchandise oriented and more interactive for the children," explained Duvic. "We feel the positioning of Fun Tronics in Kids' and updating merchandise with more customer-friendly point-of-sale material will

(Continued on page 73)

Target's Kids For Saving Earth club is an example of a successful environmental program that involves children. Target benefits from positive name recognition among the children involved through their schools and communities

MERCHANDISING THROUGH THE AGES: UNDER 13

Trendy Toys Grab Hold of Kids' Minds And Parents Wallets



***Many discounters like Jamesway** have revamped their stores with a greater emphasis on toys.* (DSN photo)

You can't get anything past today's kids. They seem to know how to push all the right buttons, especially when it comes to getting the toys they want.

Television, for the most part, takes care of getting a child to see and want a toy. Having a good selection will make a retailer a child's friend for life.

Toys are second behind food in terms of a child's influence on purchasing power, according to James McNeal, professor at Texas A & M University. Various research suggests that this influence is a carefully developed skill.

For instance, boys 9 to 12 said they like shopping for apparel with dad, and girls of that age group like shopping for clothes with mom. When it comes to toys, however, each prefers the opposite sex parent. It's a pretty smart kid that can play up the mommy or daddy's little girl or boy angle.

"Even better than parents as shopping companions are grandparents, especially for novelty toy items," said Marian Salzman, president of BKG Youth, who believes retailers so far have missed the boat when it comes to reaching the kid/grandparent combo.

"A grandparent is a bigger part of a child's weekend life than has been evident in the past," she said. "I think there are many opportunities for in-store events that cater to this market."

The downside to that argument is that when purchasing toys as gifts, grandparents are somewhat behind the times. They are least likely to purchase video games, for instance, even though that category is a kid favorite and racked up $4 billion in sales for 1990. Salzman estimated that kids play an average of 1.6 hours of video games a day.

Television and movie themes both go a long way in influencing the toy buying decisions of parents & kids'

The toy retailers that are successful, such as Toys "R" Us and Kay-Bee Toys, follow the basic rules for attracting kids: the stores are bright and colorful, have a large selection and are accessible to children.

Many retailers that have expanded children's wear have revamped or are in the process of revamping the toy area also.

Kmart's newer stores include kids power formats with effective adjacencies between toys and kids' apparel.

Likewise, in Jamesway's newly revamped stores, a larger children's wear area was placed across the aisle from toys.

Sears also combined toys with apparel in its Kids & More departments. John Duvic, national merchandise manager, children's division, said it was still working on updating the toy area, both with added merchandise and better presentations. Video games are a priority category for the retailer.

Toys"R"Us, with 497 stores in the United States, remains the benchmark retailer to children, however.

"The Toys "R" Us mentality works with kids; the corner toy store is no longer where it's happening," said Salzman.

Where it is happening is in discount stores. Discounters accounted for 37% of toys sales in 1990, according to the Toy Market Index published by TMA. Toys stores accounted for 33% of sales.

Toy Retail Sales 1984 to 1991 (In Billions)	
1984	$12.3
1985	12.9
1986	12.4
1987	12.2
1988	12.9
1989	13.1
1990	13.1
1991	14.8

Source: Toy Manufacturers of America/NPD Research

Percentage of Toy Sales Per Age Group (1991)	
0 to 11 Mo.	4.0%
12 to 23 Mo.	7.1
2-3 Years	14.4
4-5 Years	16.1
6-7 Years	14.5
8-9 Years	11.1
10-12 Years	13.9
13-17 Years	6.9
18 Plus*	12.4

*Includes collectibles. All figures include video games.
Source: NPD Research, Port Washington, N.Y.

The value quotient is an important element of toy purchases and further confirms the lead discounters have in this market.

Without downplaying the power of children themselves, there is ample evidence that parents usually have the last word in toy purchases. According to NPD, 63% of the dollars spent on toys were planned purchases, usually triggered by promotion.

Not surprisingly, video games had the largest increase in unit sales in 1990, followed by both action figures and dolls.

Licensing products make up about 60% of all toy sales, according to The Licensing Letter. That amounts to about $7.3 billion of licensed toys or games.

While there was no Teenage Mutant Ninja Turtle phenomenon during 1991, Barbie and Beverly Hills 90210 were a big success. For little girls, Beauty & the Beast and The Little Mermaid remain popular themes.

Characters to look for in the future include Batman, a demand that is likely to coincide with the second movie's release in June. Retailers such as Jamesway already had some Batman products on the shelves in March, with more to follow. It is hard to beat the promotional punch of a licensed product that comes complete with its own cartoon show or movie.

Beyond Batman, Salzman has a tip for retailers: keep those trolls coming, pocket versions continue to be favorites with kids.

MERCHANDISING THROUGH THE AGES: UNDER 13

Discounters Captivate A New Generation With Children's Video

By Frank M. Viollis
Special to DSN

For many years the highly profitable world of the prerecorded videocassette was the nearly exclusive province of the full-length movie feature.

Times have changed.

There's a new kid on the block. It's the perfect blend of traditional values, good taste, and high tech. It's the children's video.

"In 1990 the Children's (and/or Family) sell-through category was responsible for 44% of all prerecorded video sales," said Ted Lannan, president of the Lincoln, Neb.-based research firm, Fairfield Research.

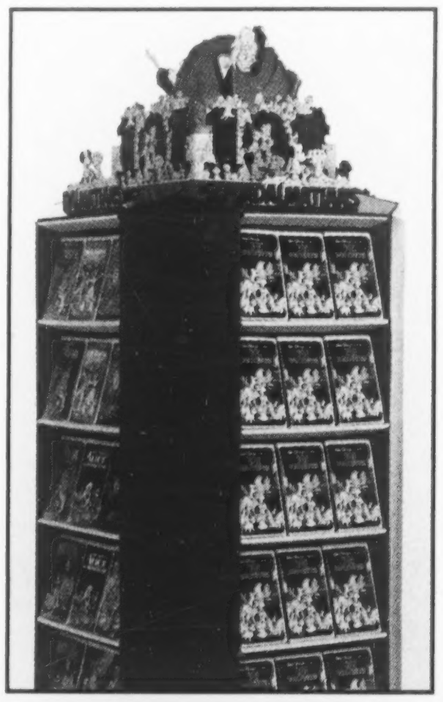
Children's video was "the single most important video category [on the shelves]," noted Lannan. "Its market position remained flat for '91; but, projections are that '92 will see the category get up around 54% of the market share."

That translates into 1991 sales figures of about $2.2 billion, with 1992 projections being nearly $3 billion (which is a lot of units considering the average cost of a children's video is $9.99).

Interestingly enough, just as video consumers have shifted their purchase interests from the singular to the plural (as in family), so too have they shifted their buying locale of preference, from the singular interest specialty video store, to the multiple interest (family-oriented) discount store. In fact, 1991 saw the discount store take the lead in the sales of sell-through videocassettes, accounting for nearly 25% of the almost 300 million units sold (132 million of which were products designed, produced, and marketed exclusively for sale to the Children's and/or Family video consumer).

1991 Consumer Spending (In $Billions)	
Snack Foods	22.6
Health & Beauty Care	19.0
Toys	12.0
Video	11.2
Audio Tapes/Records/CDs	8.3
Cookies	7.8
Books	6.3
Laundry Soap	4.0
Wine	3.0
Bottled Water	2.6
Cosmetics	2.4
Over-the-Counter Drugs	2.0

Sources: *Adweek, Ad Age*, Recording Association of America (estimate), Association of American Publishers



***Jamesway (left)** has merchandised a children's video kiosk next to its kids apparel department. (Right) "101 Dalmations" has become the third top selling video of all time and is still climbing.*

Children's video was the single most important video category. Projections are that '92 will see the category get up around 54% of the market share

Perhaps that has something to do with the unique quality of the children's video audience.

Essentially, it is two tiered. The first tier is the domain of the parent.

Constantly on the lookout for products and services that can both entertain and inform their children, they have come to view the prerecorded videocassette as more than merely an electronic babysitter.

It is a product that has been skillfully crafted to meet the particular needs of a very precise viewing audience.

'We are committed to providing quality children's products," said Bill Reitman, director, Golden Entertainment Group Product Development, "whether it's in literature, education, music, or entertainment. With our acquisition of the 'High Tops' video line (released under the Golden Book video label) we've secured such children's classics as the 'Madeline' series. We're very excited about it."

And, so are many of the quality conscious parents who want to safeguard the children's viewing.

"There are a lot of families out there who want quality [video] products that reinforce positive values," echoed V.I.E.W. Inc.'s president and founder, Bob Karcy. "We have been a long-time pioneer in sell-through video (10 years) for children. We offer 'parenting' programming, with an instructional, or preschool, focus. We're out after concerned, involved parents."

Given the overall response to their respective product lines, most parents are.

But, the pre-recorded children's video is more than just a teaching medium. It is a trusted and valued companion (and, given that children can, and do, watch the same programming over and over again, that can become a long-term relationship) that keeps alive precious memories (for both parent and child).

Is it any wonder why children's features, both animated and non-animated, account for at least one half of the best sellers on any video chart, on any given week? The nine selling videos of all time belong to the children's market:

1."Fantasia" $14.2 million;
2. "E.T." $13.7 million;
3. "101 Dalmations" $12.7 million;
4. "Batman" $11.6 million;
5. "The Little Mermaid" $9.8 million;
6. "Home Alone" $9.8 million;
7. "Teenage Mutant Ninja Turtles" $9.4 million;
8. "Who Framed Roger Rabbit" $8.5 million;
9. "Cinderella" $7.5 million.

A look at the list reveals that five of the nine are the property of Disney studios. The expected release of the Academy Award-winning "Beauty and the Beauty" in October will certainly give Disney another Top 10 hit, maybe even the top seller of all time.

As the acknowledged leader in the genre, Disney was the first to recognize that a home video library, stocked with top-quality children's cassettes, was a natural.

Children love to collect, and parent's want to collect what's best for their children.

Today, there are 19 million very loyal Disney videocassette owners; and, each owns an average of 15 videocassettes.

The second tier in the children's video audience is the child. This consumer segment is one to be reckoned with. They know what they like, and they ask for it.

F.H.E. boasts a catalogue of over 1,000 titles, including the mega children's hit "Teenage Mutant Ninja Turtles."

V.I.E.W Video, on the other hand, has sought a more well-defined market niche than either Disney or F.H.E. It addresses the parent/child consumer partnership on a different level.

"We're there for the parents who want an interactive experience with their child," said Bob Karcy. "We promote positive reinforcement."

V.I.E.W. created the first video aimed at the infant viewer. "Infantastic Lullabyes" is a *Parenting* magazine award winning video that stresses pre-cognitive learning through a rich blending of brightly colored patterns and shapes, with familiar nursery songs.

Consumer Spending (In $Billions)			
	Total Video	Rental	Sell-Through
1990	$10.4	$7.6	$2.8
1991	11.0 (+5.3%)	7.8	3.2
1992*	12.0 (+8.7%)	8.3	3.7

*Estimate
Source: Kagan & Associates (1/92)

MERCHANDISING THROUGH THE AGES: UNDER 13

The Little Sophisticates: Today's Kids Are Very Savvy About Apparel

***Jamesway uses colorful signage** and adult-like fashion to catch the eye of its smallest customers.*

'Kids are important motivators of purchasing behavior and they love to shop," according to Deborah Forte, vice president, Scholastic Inc.

More sophisticated and better shoppers than even their parents sometimes like to admit, children aged 3 to 12 take an especially active interest in what they wear and even in where they buy it.

"If anyone thinks that GapKids is full of only parents buying things to surprise their kids, they're wrong," reported Dudley MacIlhenney, a retail consultant. "In apparel, especially, children themselves select and edit what they wear."

Kids aged 4 to 12 are selecting and editing apparel to the tune of about $13 billion plus a year, according to a 1991 estimate by James McNeal, a marketing professor at Texas A & M University.

Where does this money go? Children's athletic shoe purchases alone account for more than $2 billion.

While the popularity of GapKids in this group may not be surprising when it comes to buying apparel, not many industry experts expect kids to name off-pricers and factory outlets as favorite shopping spots.

"Marshalls gets a very high rating in this age group," said Marian Salzman, president, BKG Youth, New York. "Kids tell us they like the broad and age appropriate selection of sneakers at Marshalls."

In apparel, especially, children themselves select and edit what they want to wear.'

According to a series of focus groups done by Leichliter Assoc. for Coopers & Lybrand, savvy children also appreciate the value of outlet stores. One 12-year-old girl told the interviewers, "At most of those stores you can get a lot more for your money than you can at regular department stores. It's a better value and that way you can have more stuff."

When it comes to the kid uniform—jeans and sneakers—children are very clear about what kind of "stuff" they want and what brand they will wear.

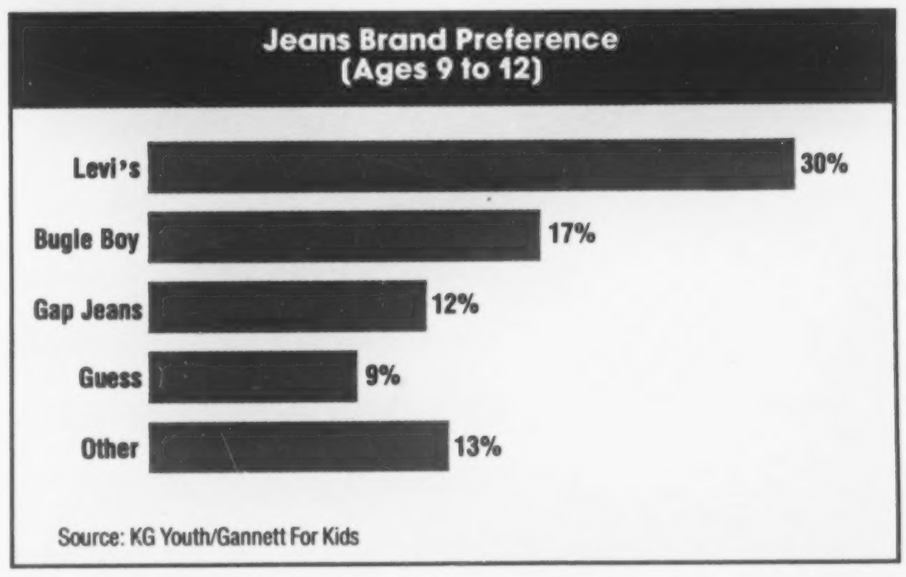
In a study conducted by BKG Youth, and the Gannett for Kids newspaper, Nike was rated No. 1 as the sneaker of choice among kids. About 44% of children between 5th and 7th grades named Nike as their preferred brand.

Levi's topped the list for jeans with 30% of the responses. That was followed by Bugle Boy (13%), Gap Jeans (12%) and Guess (9%). Other responses totaled 13%.

In addition, baseball caps were rated the No. 1 accessory in the 9 to 12 age group, with 45% of the kids questioned naming this headgear as a favored item.

Knowing what kids like to wear is only the tip of the iceberg. Knowing how they like to shop is the real trick.

"Kids like excitement. They like brightly colored signs, especially things hanging from ceilings," said Salzman. He believes that a discounter such as Kmart fits a child's expectations, as do specialty retailers such as Kids "R" Us and to the other extreme, FAO Schwartz, the upscale toy store.



Merchandising is another concern. Forte, for instance, that she would like to see girls' apparel actually merchandised rather than just thrown into the children's department. She is promoting a "shop" idea for a line of licensed apparel based on the popular Baby Sitters Club book series.

Predictably, as a child ages, he or she becomes an even more independent shopper. In a study conducted for *Sports Illustrated for Kids*, Children's Research Services, found that 13% of girls ages 10 to 12 shop for clothing without a parent. While only 3% of girls ages 8 and 9 shop for clothing by themselves.

Ironically, many in the children's industry believe that this more independent "tween" age group is often ignored by manufacturers.

According to MacIlhenney, there is actually a dearth of fashion-forward product for the young girl who is too old for frilly dresses and too young for the Lycra spandex mini skirt.

"At about 10 years of age there is a rule that you would not be caught dead in something that is acceptable for an eight-year-old," he noted.

Scholastic, which publishes the Baby Sitters Club series of books (at last count the series has sold 62 million copies) is now expanding that property to licensed apparel aimed at children 6 to 12 years of age.

"Through Baby Sitters Club, we captured a demographic that was ignored by the media, the toy manufacturers and almost everyone," said Forte.

"This is not a character brand," according to Forte. "This is a lifestyle brand." The line will be sportswear oriented with a contemporary, down-to-earth approach. While statistical information satisfies the adult need to put the market into perspective, this category tends to spark anecdotes of children's behavior.

"My 3-year-old has very good taste," reported one working mother, noting that even at that age, the little girl articulates "I want that," freely, choosing soft pastel patterns and florals over loud prints.

MacIlhenney reported that his own daughter, at the sophisticated age of 10, has a keen sense of style. "She's been wearing black for a couple of years now," he said.

Special Supplement
Discount Stores News

May 18, 1992

AM
Apparel Merchandising

Jamesway's new apparel power

Paul Roth, senior vp, gmm

Retailers romance intimates

Brands are courting the mass market, but is it a match made in merchandising heaven?

Changes in presentation and an infusion of intimate apparel brands at mass market has propelled the category to new merchandising heights.

Efforts to revamp intimate areas in the last few years began with some copy cat measures that mirrored the Victoria's Secret look. However, it did not take long for retailers to create their own distinctive presentations. ➤

Black lace overlay Chic bra and panty from Bestform.

Harrison Hurwitz

Evolving fashion trends brought new opportunities in this category to the forefront. More cross-merchandising opportunities—sports bras, for instance, found homes in both bodywear and foundations—gave new purpose to some intimate classics.

While intimate areas have become infused with brands, they still represent private label opportunities. Some of the largest intimate players, Kmart and Sears, for instance, continue to focus on successful private label lines. Mass merchandisers have good reason to feel strongly about this arena.

According to NPD research, intimate apparel could show a 4 percent gain in unit sales for 1992, after a stagnant 1991. Various industry estimates put the category overall at close to $7 billion in sales in 1991. Both sets of numbers offer heady potential for the market. Discount stores gained substantial sales volume during 1991. Panty sales at discounters, the biggest category for the tier, went from $419 million to $462 million in sales from 1990 to 1991.

Foundations

In the last year, brands have virtually exploded in foundations in both basic and fashion merchandise.

Fruit of the Loom, for instance, is revving up to corner a piece of the bra category. Known for its cotton basic panties, the company's new line, to be made by Warnaco, will hit the stores in the fall. This is Warnaco's first time in the mass market, and it hopes to capitalize on the 13 percent share of the panty business already enjoyed by Fruit of the Loom.

No Nonsense, known for its hosiery and recent panty offerings, is also introducing bras this fall. In addition, Sara Lee Corp., parent of Hanes Her Way panties, acquired Playtex last year, providing another opportunity for the Hanes Her Way brand.

The unique thing about these introductions is that they are from companies known for their panty basics. Fancier coordinates of bras and bottoms have given way to a more down-to-earth fashion attitude in this category, according to retailers.

"We find people are buying more basics now, and have been carrying fewer fashion bras," agrees Mary Fay, divisional merchandise manager, Alexander's. The brands featured at the Northeast chain include Bestform, Vassarette (another relative newcomer) and Lovable.

Lovable is a firm trying to revive its basic branded bra business. The company also makes fancier bras under the Bonjour label. Bonjour, like Gitano and Chic continue to address the fashion part of the business, although recent retail sales confirm the strength of basics at this point in the apparel cycle.

Sears presents its intimate apparel in an inviting atmosphere with colorful tabletop presentations.

Daywear

Camisoles and lingerie coordinates are the items that have most effected the new look of the intimate apparel department. These frillier pieces frame the areas, serving, to draw customers into the sections where more basic items are featured.

Kmart, for instance, recently featured a private label, three-way display of Jennifer Moore camisoles and tap pants which included a graphic that set a romantic tone. It helped create an enticing entrance into the intimate area.

Janice Page, national merchandise manager at Sears, credits more "romantic" styles with updating the look of her largely private-label intimate department.

In the daywear category, the brands that have succeeded in capturing the panty business also offer more casual versions of camisoles that look more like cotton/spandex tanks.

The trend in tanks began with Calvin Klein in the upper market, and has trickled down to brands such as Jacques Moret, Hanes Her Way and Gitano. Basic tank top styles or tanks with lace edgings have proven successful.

What has helped spur sales for these cotton pieces in functional daywear are the trends in ready-to-wear.

The innerwear/outerwear trend has given rise to lacy slips and camisoles being worn under jackets and peeking out from sweaters.

In addition, though few women may admit it, the short, tight spandex skirt often requires the stretch slip underneath to hide all of nature's flaws. Wal-Mart carries the Lady Manhattan brand of girdle slips for its body-conscious customer.

Coordinates in the daywear category continue to do well for special occasions and remain intimate gift giving opportunities at Christmas, Valentine's Day and Mother's Day.

Panties

Fruit of the Loom and Hanes Her Way continue to dominate the women's panty area. The newer news in the panty business is the increasing use of cotton/spandex blends. The fabric began as a higher price point product, but is now being embraced by the mass market as well.

Regional chains such as Stuarts and national chains like Sears began modest programs with the fabric blend in the fancier area. Sears called its private label line of this fabrication Scants. "The customer is really getting tuned into cotton/spandex," says Page.

Discount brands such as Jacques Moret, Bonjour and Gitano have each introduced their versions of the panty, hoping to get a wider audience.

The biggest brands in the women's market, Fruit of the Loom and Hanes Her Way are both looking into the blend, but are in the development stages.

Beyond fiber, what has occurred in ►

Discounters Lead in Panties
($in millions) 1991 vs. 1990

Outlet	Panties '90	Panties '91	Daywear '90	Daywear '91	Bras '90	Bras '91	Sleepwear '90	Sleepwear '91	Robes '90	Robes '91	Total '90	Total '91
Discount Store	419	462	96	94	500	592	424	398	159	150	1,598	1,696
Department Store	276	298	185	165	746	712	484	486	227	204	1,918	1,865
Specialty Store	117	104	121	127	229	222	275	310	116	113	858	876
JCPenney	103	102	73	45	284	260	140	137	100	101	700	645
Sears	85	89	35	42	188	235	133	139	80	84	521	589
Montgomery Ward	11	16	8	7	57	62	25	27	17	19	118	131
Off Price	33	33	34	25	45	48	74	69	31	21	217	196
Factory Outlets	45	56	41	43	82	82	73	69	25	21	266	271
All Other*	97	97	77	77	230	201	133	162	59	94	596	631
Total	1,186	1,257	670	625	2,361	2,414	1,761	1,797	814	807	6,792	6,900

Source: The NPD Group, Inc.
*Includes direct mail catalogs, warehouse clubs, food and drug stores.

this market is an interest in brights. That has not diminished the popularity of the standard pastels, but given the category some added spice.

At Target recently, rich, primary colors in cotton panties created a focal point for the entire intimate department. The panties were hung on a short, slot wall display. Displays for panties vary, however. Large bins are often the no-frills alternative presentation for off-price retailers such as Marshalls, while Fruit of the Loom and Hanes offer both hanging and multi-packaged products for stores.

Alexander's recently brought Fruit of the Loom and Hanes into the store with the manufacturers' own multi-pack floor displays.

Whatever the displays, few can deny the strength of the big two. "Hanes and Fruit of the Loom have both expanded so much and they are so successful for us that we continue to grow with them," says Maxine Clark, executive vice president of soft lines at Venture Stores. The same sentiment is heard throughout the mass market.

Loungewear

As in daywear, romantic loungewear pieces help create atmosphere for an intimate department. However, it is generally the cotton nightshirts and printed oversized T-shirts that are the best sellers in this category.

Sleepwear, in fact, was one of the projected growth categories, according to the NPD purchase panel study. NPD projects a 2 percent unit growth for 1992 in the sleepwear area, after some stagnation in the category.

As with bras, new brands helped infuse some energy into the category. Most notable was the entrance of Vassarette into the mass market.

Fay, of Alexander's noted that a Vassarette goldtone slip nightgown and matching robe recently offered at the chain did extremely well. Price points for these fancier styles can go as high as $35, she notes.

The more casual pieces, such as the oversized T-shirts, are generally no higher than $12 at that chain.

Private label merchandise is also prevalent in this category. Private label collections allow a retailer to tell its own story in the loungewear area. That includes creating feminine looks that continue the color theme found throughout the same label within other apparel categories.

At Venture, for instance, Lauren Rogers is the romantic loungewear apparel label. At Target, the store's ubiquitous Honors label is also well developed in this intimate area.

Pictured: Lady Manhattan's romantic teddy by Lady Ester Lingerie enhances in-store merchandising.

Bodywear

Bodywear is another area that benefits from the continuing innerwear/outerwear trend.

Name Brands such as Jacques Moret and Gitano have melded function and fashion in this market within their lines. This has also blurred the delineation between lingerie, bodywear and sportswear. Serious athletes look to the bodywear department for functional pieces. But more often than not, leggings and bright print T-shirts are bought as street looks.

Retailers such as Kmart place the bodywear area closer to sportswear. On the other hand, at an off-pricer such as Marshalls, bodywear extends the lingerie area, but does not necessarily affect adjacencies.

Even more seriously functional items, such as sports bras, are finding customers that wear them for different purposes. It depends on the age and lifestyle of the customer.

According to Mike Monday, bodywear buyer at Kmart, some shoppers, particularly juniors, will wear colorful crop top sports bras by themselves, both in the gym and out under a jacket. On the other hand, more modest and often older shoppers, wear them with a T-shirt. Kmart has been doing well with its line of Rachel McLish body wear, which encompasses both functional and fashion looks for bodywear.

Retailers aggressively pump up Bodywear departments because the category switch hits as street and activewear.

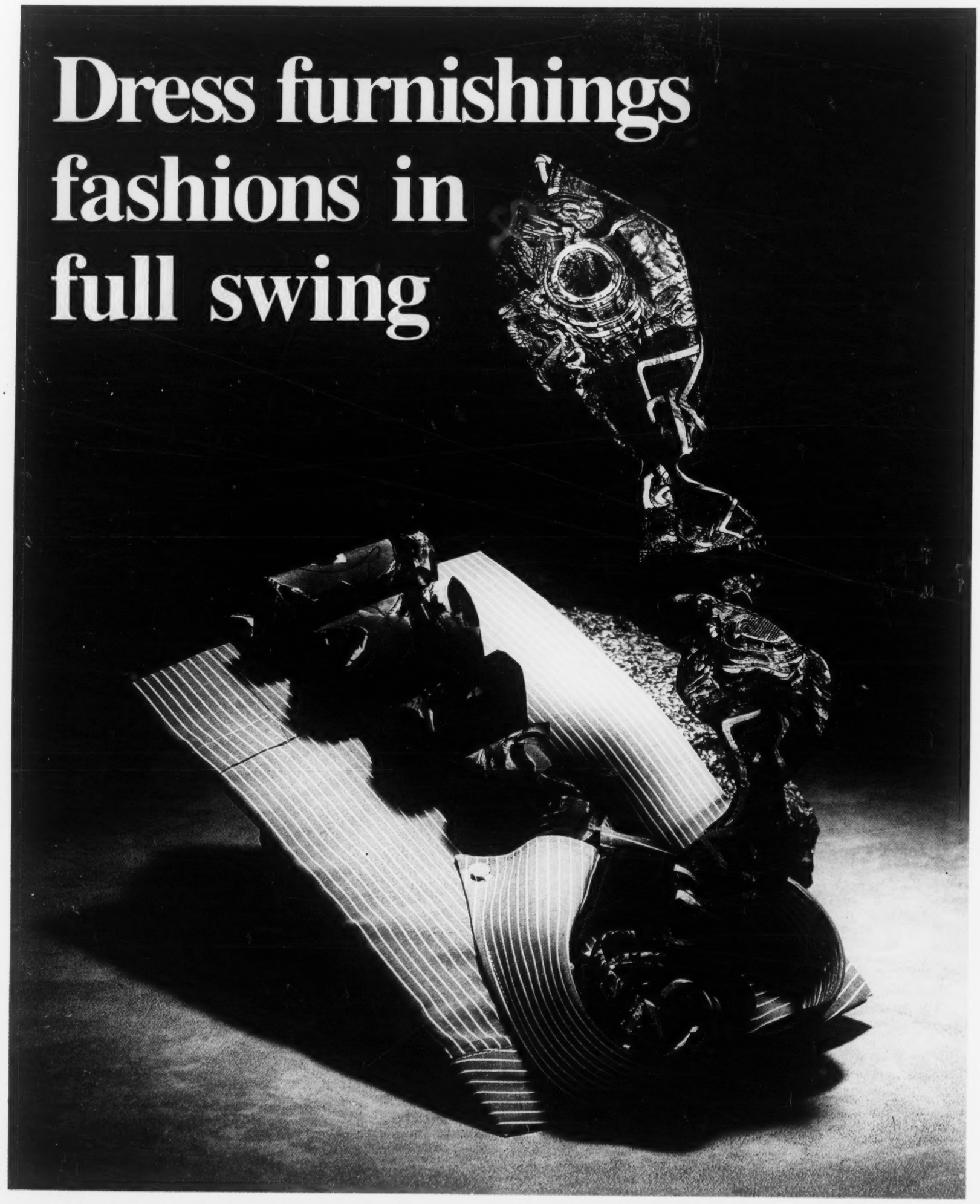
Monday does not buy traditional lingerie for the retailer, though at some retailers, the two buying responsibilities are taken on by one person.

The importance of the whole activewear phenomenon has allowed the bodywear area to take on a life of its own. But as the innerwear/outerwear confusion remains, it still is difficult to pigeonhole the category into one retail area.

Whatever the intimate apparel category is, and however it is defined, the new look of both product and presentation at the retail level, should keep sales growing. ◢

—Jill Lettich

Dress furnishings fashions in full swing



Mass merchants have gained incremental business by expanding fashion presentions. Shirt and floral tie by Manhattan. Gitano's tie sports a novelty motif.

Colorful, boldly patterned neckwear, and dress shirts in dark and mid-tone shades, have made furnishings one of the healthiest areas in the world of department store retailing.

Merchants in that tier have dedicated enormous amounts of space to these categories, developing them to produce maximum performance. Numerous tables, featuring shirts and ties in tasteful ensembles, grace department store floors. Racks and glass-enclosed cases feature neckwear displays that are as artfully constructed as the most complex of floral arrangements.

During the last few years, mass merchants have, generally, downplayed dresswear to cultivate an increasingly important sportswear presence. But the fashion that has been a boon to upstairs furnishings departments is trickling—no streaming—down to discounters. Retailers in popularly priced operations are showing across-the-board increases in fashion furnishings, and grappling with ways to get the best performance.

Even stores in rural areas, such as Stuarts and Fisher's Big Wheel, gain from sales blips stimulated by dress furnishings.

Neckwear

Chicago-based Sears, Roebuck and Co., which unlike many mass merchants has bullishly pursued furnishings as part of its aggressive plan to upgrade apparel at its stores, is posting record-breaking sales results.

"We planned April to have strong double-digit increases in ties, and the increase for the month was about 30 percent over plan," says buyer Jeff Baker.

Fashion, primarily in the form of floral and abstract impressionistic patterns, continues to fuel increases in neckwear at Bradlees, Braintree, Mass., where double digit year-to-date sales gains compound the progress the store made in ties last year, which saw neckwear gains that also went beyond the single numbers.

Even discounters such as Stuarts, Franklin, Mass., that are casual in orientation, and don't allot significant floor space to ties have been beneficiaries of the fashion bonanza.

"Neckwear isn't a major business for us, but it's running 15 percent to 20 percent ahead of last year because of the new styles, and any business that you can catch that way in today's environment is great. It all filters down to the bottom line," explains Matt Sudhalter, divisional merchandise manager.

Fisher's Big Wheel, located in New Castle, Pa., runs stores that are primarily located in rural areas, where neckwear doesn't play a major role in men's wardrobes. But even Fisher's units have seen a neckwear blip as fashion worked its way into store assortments.

"There are still plenty of people in the United States who have not bought their first floral tie," explains Baker, who believes neckwear's fashion run is far from over.

Most mass merchants agree with Baker, but at least one maker of discount store-oriented neckwear plans to change the merchandising approach of his lines for fall. "We've been in an anything goes fashion cycle, but in the next few months, there will be a move to stripes and micro-neats," says William Aron, president of M. Aron, which, in addition to private label merchandise, produces neckwear with the Gitano moniker.

The added value of fashion has allowed some mass retailers to trade up in price, although high tickets certainly have their limitations. $9.99 remains a key price point at discount stores, though ties that sell for $11.99 and $13.99 were on the floor at several operations this year.

"We had a fair degree of success with silks at $11.99, but micro-fiber goods at $13.99 didn't really do well, despite the fact that the ties were beautiful," reports Bradlees' Devorkin. ►

Dress shirts

Fashion dress shirts, in dark shades and non-traditional fabrics, were not initially embraced by the mass market as readily as trendy neckwear. However, shirts of this nature have gradually been added to the retailing mix, generating plus business for discounters and mass merchants.

Fashion dress shirts accounted for only a minimal proportion of the merchandise mix at Bradlees during 1991, but these items currently generate about 30 percent of dress shirt sales at the store.

"The new colors, shades of dark green and blue have been very well received by our customers," says Devorkin, whose shirt department is running several points above his year-to-date plan.

Stuarts is also expanding its dress shirt selections. The company has purchased a group of dark-hued items from Botany 500 for Father's Day to augment its assortment of other labels that include Sasson, Manhattan and McGregor. "The base of our dress shirt department is still basic, but we've been playing around with fashion deeps and mint shades," says Sudhalter, who reports that the category as a whole is running slightly ahead of last year.

Although many discounters are still feeling their way in the dress shirt fashion arena, Sears retailers are convinced they can sell fashion—and lots of it.

The store has successfully tested wooden haberdashery-style tables that feature fashion dress shirts, and Baker estimates that by July Sears will have these displays in 600 stores.

Part of renovated furnishings areas, the new fixtures have helped Sears highlight merchandise than not only stretches the store's ability to market updated goods, but its price points as well.

Last fall the store tested all cotton dress shirts—pin point oxfords retailing for $28—successfully under Sears private 1886 label as well as under the John Weitz brand. For fall '92 the company plans to extend the program to even more stores. Sears has also been marketing a polyester/cotton micro denier fiber dress shirt under the John Weitz label for $25. The initial test in March was, says Baker, "incredible."

"Our goal is to offer updated fashion that is comparable to department stores, but at lower prices," Baker says.

The fact that mass merchants have been able to successfully market fashion furnishings—apparel generally worn for serious occasions—lends fuel to the supposition consumers are starting to view these outlets as genuine apparel destinations, not simply places to pick up a casual item on impulse.

Discount retailers are updating their dress furnishings assortments: Shirt and novelty railroad tie by McGregor; updated paisley tie from Manhattan.

Discounters finish second in units

(Units in millions)

	1990	1991
Department stores	45.8	47.0
Discounters	35.5	32.7
***Chains**	33.6	32.7
Specialty stores	18.0	19.2
Off-pricers	16.0	15.0
Other	22.5	20.6
Total	171.4	167.2

*Chains: Sears, JCPenney, Montgomery Ward
Source: NPD research

Department stores and chain stores dominate dollars

($in millions)

	1990	1991
Department stores	793.2	834.4
***Chains**	472.3	477.8
Specialty stores	364.0	397.3
Discounters	317.3	310.2
Off-pricers	200.3	208.1
Other	261.1	329.6
Total	2,408.2	2,557.4

*Chains: Sears, JCPenney, Montgomery Ward
Source: NPD research

MERCHANDISING THROUGH THE AGES: UNDER 13

Television Is Best Medium for Getting Message to Children

The Nickelodeon children's network has given a whole new meaning to children's marketing. If you want to be seen by a kid, it's one of the best places to show off a product.

Nickelodeon is currently seen in about 56.2 million households. Like its parent, MTV, it has become the place where kid trends happen.

"Kids are very visual; that's how they think," said Kathy Yohalem, president, Yohalem & Associates, a marketing firm. "Television is a very effective advertising vehicle."

It works better, she believes, for manufacturers than for retailers.

"If a kid sees another kid with something—that's what the kid wants; but they really don't care where they get it until they are older," Yohalem noted.

Gitano plans to take advantage of the visual impact of television and has planned its first foray into television marketing directly to children for back-to-school.

"When it comes to media, we have always focused on the mom, with ads in publications like *Redbook*," said Valerie McGuire, account manager, Gitano. "This back-to-school, however, we are also doing national advertising on "Scratch," a children's game show on Nickelodeon."

Kevin Foley, executive vice president, Radius Corp., began advertising the company's special children's toothbrush on Nickelodeon in March. Radius is an oversized toothbrush that comes in a range of hot colors.

Toothbrushes seem an unlikely product to promote to children, but Foley feels strongly about the importance of attracting kids.

"We're seen about 10 to 12 times a month," Foley reported. "It's not exactly a product that kids will pickup on their own, especially when the Toys "R" Us H&BC department has it placed 3 feet, 8 inches above the ground. We just hope that we get enough interest that children may ask parents to buy it."

Kids react not only to the advertising they watch during their favorite shows, but are also influenced by the programs themselves.

***'Beverly Hills 90210'** spawned licensed T-shirts, stationery and these Mattel action figures.*

In a BKG Youth/Gannett for Kids study, 39% of kids questioned named MTV as a favorite program. That response can be traced to the popularity a year or so ago of baggy "Hammer pants," named after the rap star who made them famous in his music videos.

Likewise, the No. 2 mention, "Beverly Hills 90210," spawned a collection of licensed T-shirts and stationery. This past February, Mattel introduced action figures of the show's main characters.

Not as successful was the Michelle doll, which was named after the character in the series "Full House." The show continues to get high ratings, however. In the last quarter of 1991, it was the most watched program for girls between the ages of 6 and 11. It ranked fourth most watched show among boys of the same age.

Cartoons are also an important vehicle. The life of the Ninja Turtles and Ghostbusters was definitely prolonged by ongoing cartoon series. "Batman" and "The Addams Family" cartoon shows will be introduced in the fall. Producers hope they will keep up the momentum begun with those properties' movie introductions.

Despite their being visual creatures, even in their viewing habits, children remain fickle, at least as much as their parents when it comes to using a hand-held remote control.

In a Children's Research Services/*Sports Illustrated for Kids* survey, 82% of children said they used a remote control. About 82% said they used it to "see what's on another channel during a commercial." Another 75% said that they "change the channels so you won't have to watch the commercials."

More painful to note, is that in the same study, 63% of kids said that an ad in a magazine was more truthful than a television commercial.

Sears Adds Fun for Kids

(Continued from page 71)

us drawing power. The whole department overall has to keep evolving. The idea of the play area may be outdated in a few years."

Duvic admits that one of the most kid-driven categories—toys—remains a weak point for Sears, in both traditional and electronic toys. "We haven't yet reached the ultimate in that presentation," he said. "The area has lower margins than our apparel, but it is a multibillion dollar business and keeps growing."

He expects to have a revamped Fun Tronics section in about 500 stores by the third quarter of 1992. It will include more interactive games and merchandise.

Sears is more successful in its apparel presentations in Kids & More. "In focus groups that we've done and information we've gotten from our vendors, we know that color and style is very important to children. And brands are important to them as well," he said.

"What we have tried to do in power format stores is take color and fashion and use our fixturing and wall space to highlight products vertically. We're using brands to create focal areas and attract customers," he said.

The department has a shorter distance between the main aisle and the back wall, Duvic said, allowing for fashion apparel wall presentations visible from the front aisle.

He agrees that keeping up with children can be difficult, given their lack of loyalty to retailers. "When something is hot, you had better have it. We're leaving more open-to-buy dollars so that we can shorten our lead time and react to trends closer to season," he noted.

Children's Market a Retail Goldmine

(Continued from page 65)

recommend. A 3-year-old will accompany a parent and select with permission. At four, with parents accompanying them, they make independent purchases. By five, kids are looking around the store on their own and making independent purchases," she noted.

Marketing to children can be controversial and any company working in that market must take precautions so that it is not labeled as one that takes advantage of young innocent children. Because of this issue, *Sports Illustrated for Kids* has stayed away from offering discounts for magazine subscriptions or from using premiums. "We wanted to be as clear and direct as possible," said Mark Stanich, consumer marketing director for the publication.

Both *Sports Illustrated for Kids* and *Zillions* send magazines free of charge to a number of urban "at risk" schools.

Another way that retailers can try to tackle this problem is through kid-oriented community programs, which allow the store's name to be front and center, and also benefit the community.

Target's Kids For Saving Earth club is an example of a successful environmental program that involves children. Target benefits from positive name recognition among the children involved through their schools and communities. It also helps the retailer attract customers. During this past Earth Day, a range of Kids for Saving Earth merchandise was on display, including stationery and toy items. Half of the proceeds, according to Target, went back into the environmental program.

Reading programs have also become pet projects of Kmart and regional chains, such as Stuarts.

No matter how admirable these efforts, no well meaning community program will take the place of a clown with balloons in attracting kids.

"Kids like crowds, brightly colored store signs and things hanging from the ceiling," said Salzman. "They want to be treated like celebrities," he said.

Other things to remember: they are a literal bunch, so the direct approach is best. Animals help in selling a product, as well. Salzman noted that kids see animals more than twice as often as adolescents and adults when taking a Rorschach ink blot test.

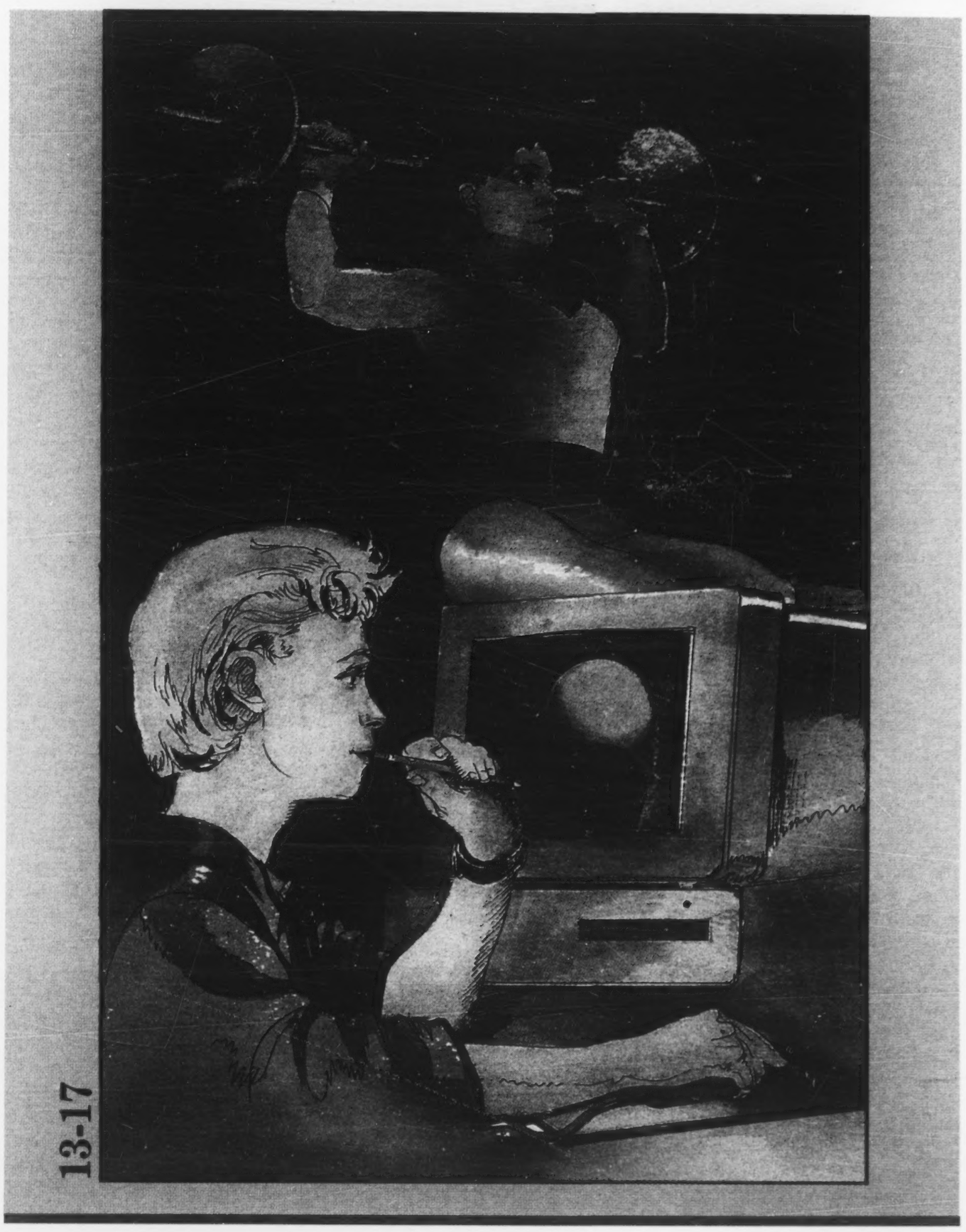
The best approach is usually two-pronged. "This fall, Gitano will continue to advertise to Mom, in such publications as *Parents* and *Parenting*," said McGuire of Gitano. "But we recognize the importance of reaching the kids and building brand loyalty during the early ages, so we will also be advertising in *Disney Adventures*."

Weekly Allowances (Ages 8 to 12)

	Total	Boys	Girls
Get Allowance	64%	65%	64%
Allowance Average	$5.87	$5.06	$6.68
Spend It All	24%	26%	23%
Save Some	75%	74%	76%

Source: Child Research Services/Sports Illustrated for Kids

MERCHANDISING THROUGH THE AGES: 13-17



Teens have no real loyalty to any particular chain, but they do tend to gravitate to stores that carry their favorite brands

Retailers' Challenge: How to Build Loyalty Among Fickle Teens

By Laura Liebeck

They're faddish and fickle, and have $82 billion in spending power.

They are teenagers.

Although the number of teens declined in America in the 1980s, the ranks of 13- to 19-year-olds will swell this year and throughout the decade. With their growing numbers will come more spending money.

In fact, teens have so much money to spend, about $50 per week on average, that four years ago *The New York Times* proclaimed that American teenagers spend more than the "combined GNP's of Portugal, New Zealand, Panama, Chile and Iceland!"

The big questions remain: Where will they spend money and on what? The answers are varied and often predictable, if you understand teens.

According to a survey of product usage and preferences of teens conducted in 1990 by STARS (Simmons research on teens) teens experiment with nearly every kind of consumer product relating to their life. They try everything from mascara to cold remedies in search of the item and brand that works best for them.

Almost without exception, the early years of a teen's life are spent trying numerous products in search of the one or ones that best suit her or him. By the time a teen is 18, brand loyalty stands at 50% in most categories. Getting a teen to choose a particular brand over another is the challenge facing manufacturers. Getting them to shop a specific store or chain is the challenge facing retailers. The key is getting to them early, while they are experimenting and before they make a final decision.

Clearly, manufacturers are well ahead of retailers on that score, especially when it comes to personal care items like feminine hygiene products, cosmetics and snack foods.

Teens shop every kind of retail outlet including discount stores. They have no real loyalty to any particular chain, however. They do tend to gravitate to stores that carry their favorite brands, offer service, price merchandise fairly, treat them respectfully, and offer an atmosphere that appeals to their sense of style. Generally, the preferred stores are located in a mall, where teens are offered a variety of shopping options and can enjoy another important shopping qualification: being seen.

But they do shop mass merchandisers.

Research conducted by STARS in 1990 revealed that 34% of female teens aged 12 to 19 said they shopped at Kmart, spending $1.71 billion annually. In second place was JCPenney, with 27% of female teens shopping there and spending $1.81 billion, followed by Sears, 17% and $1.15 billion, and Wal-Mart, 16%, and $1.14 billion.

In a 1991 MRI Teenmark Study released by *'Teen Magazine*, a monthly consumer magazine aimed at high school girls, 66% of the magazine's readers said they shopped at a discount department store in the past three months. Read-

(Continued on page 76)

MERCHANDISING THROUGH THE AGES: 13-17

Teens: A Retailing Challenge

(Continued from page 75)

ers of other teen magazines—*Seventeen*, *YM* and *Sassy*—answered similarly.

"It's amazing to me the number of teens that shop mass merchandisers," said Jay Cole, publisher of *'Teen*. "Kmart has been a leader in this area of trying to reach young people, not only teens, but below the teens, they have been very, very aggressive." He noted that 30% of all teens in this country told his magazine that they walk into a Kmart store every three months.

Other findings in the STARS 1990 report showed:

- 26.8% of teens, both boys and girls, take advantage of bargains and sales, particularly 16- and 17-year-old girls (40%);
- 31.7% report they are careful how they spend their money, especially 18- and 19-year-olds (50% for girls and 35% boys);
- Brand loyalty increases with age.

Pleasing Teens: A Tall Order

(Ranked by Percentage of Teens Who Felt The Store Did An Excellent to Outstanding Job in Each of the Categories)

	Drug Store	Grocery Store	Discount Store	Deep Discount Store
Store Appeal	57.4%	35.4%	44.3%	40.4%
Price	52.2	26.3	63.2	67.0
Product Organization	60.0	30.4	63.2	43.4
Sales	47.0	28.6	57.1	52.0
Comfort	51.2	33.9	49.1	45.0
Product Selection	55.3	18.1	57.0	49.5
Accommodation	32.5	17.4	33.6	27.0
Product Security	48.7	15.7	44.4	37.6

Source: *Drug Store News* 1991

How Much Money Do Teens Spend Weekly?

Their Own Money	
Age	**Amount**
12-15	$ 20
16-17	$ 37
18-19	$ 75
Mean:	**$ 37**
Including Parental Contribution	
12-15	$ 37
16-27	$ 60
18-19	$101
Mean:	**$ 59**

Source: Teenage Research Unlimited, Fall 1991 Study

Overall, teens spend more time in department stores, probably because of the mall location, than any other type of retail outlet. According to a Fall 1991 poll conducted by Teenage Research Unlimited, a market research firm based in Illinois, 78% of teens surveyed said they shopped in a department store at an average of four times a month in the last 30-day period. Forty-four percent said a discount store, an average of 1.7 times a month; convenience stores, 76%, an average of 5.4 times monthly. Sixty percent said they shopped in a record store in the last month.

In 1991, the $82 billion that teens aged 12 to 19 spent at retail was a combination of money they earned themselves and money given to them by parents, said Marla Grossberg, manager of research services at Teenage Research Unlimited. Some of the money the teens spent last year included purchases made for the family, such as groceries.

Generally, though, teens concentrate their purchases on areas important to them. For males, buying music and entertainment items top their list and for females, cosmetics is No. 1. Food, particularly snack foods, is important to both sexes, said Grossberg.

Brand loyalty is linked to the products they use most often. For example, the No. 1 category teens are most loyal to is tampons and pads, followed by shampoo and deodorant, hair conditioner, hair gel and mousse, acne medications, chewing gum and potato chips, she said.

Males, apparently, have more discretionary income than females do because girls' money is tied more closely with family money, ie., grocery shopping.

Advertising approaches that are more likely to attract teens to a product are closely linked with image and are done in an honest, direct way, experts said. Teens tend to be literal in their interpretation of slogans, "aspirational," meaning that they want to feel older and more in control of their lives, and quality conscious.

Specifically, when deciding on a theme for advertising to teens, experts suggest the direct approach that appeals to their maturity and using models that show teens at their best. Likely messages to attract teens, according to Teenage Research Unlimited, are, in order: products that are safe for the environment, 49%; perceived as tasting, looking or performing better, 37%; or appeals to their life-

(Continued on page 83)

Where Do Teens Shop?

Where	How Often (monthly)	% of Teens
Convenience Stores	5.4	76%
Dept. Store	0.4	78%
Discount Store	1.7	44%

Source: Teenage Research Unlimited, Fall 1991 Study

Kmart has been a leader in this area of trying to reach young people

Kmart to Lure Teens, Expand Customer Base

TROY, Mich. — Kmart is aggressively working to tap growing teenage spending (teen per capita spending doubled in the last 10 years to $2,800) and is looking to create a loyal base of future shoppers.

Kmart is the discount store of choice for more than 34% of teens aged 12 to 19, according to a STARS 1990 poll. That same survey revealed that teens visit a Kmart store at least once every three months, which helps ring up $1.71 billion in receipts a year, STARS said, outpacing all other retailers except JCPenney, which pulled in $1.81 billion from teens.

While these are impressive numbers, they are not impressive enough if Kmart is to remain a dominant retail force with the next generation of shoppers.

Kmart is currently reviewing ways to improve its penetration of the teen market. No details are available yet on exactly what the No. 2 discounter is going to do to grow the market. It is likely, however, that Kmart's main focus on the teen market, its Miss Teenage America program with *'Teen Magazine*, will be expanded.

For the last eight years Kmart has been the only retail sponsor of the Miss Teenage America contest, an achievement/scholarship program for high school girls spearheaded by *'Teen* and covered extensively by the magazine.

Ten thousand girls a year enter the program to win the contest's booty. To enter the contest, contestants must fill out an entry blank at a Kmart store, thereby drawing the girls and their families into the store.

The winner receives a host of prizes from Kmart, including a $15,000 college scholarship and a year's worth of clothes she personally selects at Kmart's Fashion headquarters in North Bergen, N.J., and 200 to 300 pairs of shoes.

17-year-old Samantha Zogg, winner of the Miss Teenage America contest.

The winner and her prizes are announced and given editorial coverage on the pages of *'Teen*.

In addition, the winner, who serves a year's term, appears in Kmart advertising circulars, two magazine ads a year (spring and fall) in a popular teen magazine, and in numerous public appearances for Kmart.

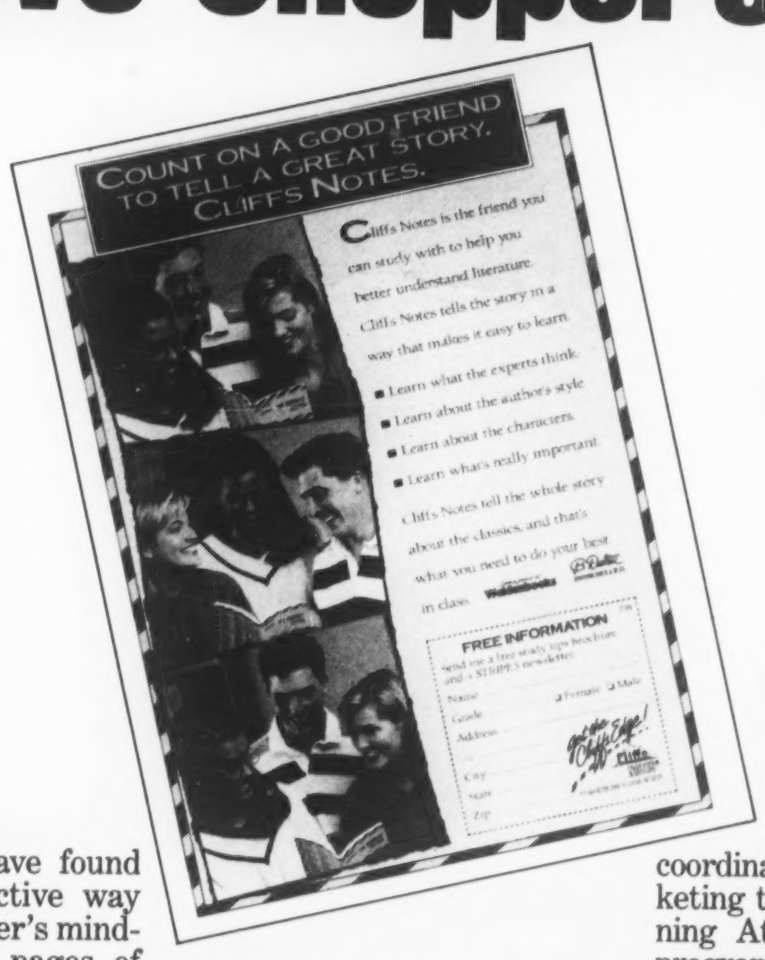
(This year's winner, Samantha Zogg, 17, also has modeling and appearance opportunities with the contest's other sponsors: Bonnie Bell, Caboodles, Kotex and Studio Line.)

During pageant week, which also is covered extensively by *'Teen*, Kmart sponsors a shopping spree for the event's 12 finalists, giving them $100 to spend on an outfit. The girls get to keep everything they choose, said Joy Corneliussen, a spokeswoman for Kmart.

The theme for this event, which is judged based on a girl's creativity, is shopping on a budget. The three grand prize winners—one for each themed category chosen that year—gets another $100 in prizes, Corneliussen said.

MERCHANDISING THROUGH THE AGES: 13-17

Discounters Utilize Teen Mags to Reach Elusive Shoppers


COUNT ON A GOOD FRIEND TO TELL A GREAT STORY. CLIFFS NOTES.
Cliffs Notes is the friend you can study with to help you better understand literature.
Cliffs Notes tells the story in a way that makes it easy to learn.
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Cliffs Notes tell the whole story about the classics, and that's what you need to do your best in class.
FREE INFORMATION
Send me a free study tips brochure and a $1 Cliffs newsletter.
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Grade
Address
City
State
Zip
Female Male

***Discounters team up** to utilize the pages of 'Teen with ads from Waldenbooks and B. Dalton who cosponsor advertisements for Cliff Notes, far left, and Fashion Bug and Caboodles who teamed for a spring promotion.*

Discounters have found that an effective way into a teenager's mindset is through the pages of teen magazines.

Ads from retailers as varied as Kmart, Sears, JCPenney, Fashion Bug, Clothestime, Waldenbooks and B. Dalton grace the pages of publications like *Seventeen*, *'Teen*, *YM* and *Sassy* in the hopes of piquing a teen's interest and luring them into the stores. Specifically, the retailers are trying to attract teens to their cosmetics, health and beauty care and apparel departments.

Therefore, the most popular advertising themes for these retailers closely resemble the focus of the magazines

Of course, the magazines also are available on many retailer's shelves either in the book/magazine department or at checkout. (The only exception to this is *Sassy's* new magazine for boys 14 to 19 called *Dirt*. Introduced in March, *Dirt* is being sold only in alternative retail outlets like comic book shops and record stores, said public relations manager Genevieve Nelson.)

For example, a recent ad appearing in teen magazines advises readers that Cliff Notes, abbreviated versions of books with additional information on author style and plot meaning, are learning aids available at Waldenbooks and B. Dalton, co-sponsors of the ad. Cliff Notes are often merchandised on the same magazine racks as teen magazines.

Other programs also take a coordinated approach to marketing to teens, such as "Winning Attitudes Be A Model" program by Sears and *'Teen*, and the joint promotion by Sassaby, Bold Hold and Alyce Designs which combines cosmetics organizers, hair care and an apparel vendor in one ad.

Teenagers, both male and female spend an average of 2.6 hours a week reading magazines, their chief source of information.

Another retailer with a similar program is Fashion Bug, which often offers coupons in their ads that teens can clip and apply to purchases, in addition to doing advertorials. In fact, Fashion Bug recently teamed up with Caboodles for a spring promotion. Sassaby and Alberto joined forces recently as well and Kmart co-sponsors the Miss Teenage America Contest with *'Teen* magazine, Bonnie Bell, Caboodles, Kotex and Studio Line, and receives extensive coverage in the magazine. JCPenney and *Seventeen* work together on a model search contest.

"The girls will read a magazine from cover to cover looking for advice because they don't want to use [information] wrong. They want their individuality but not in the wrong way," said Carole Millsaps, marketing manager for Maybelline, a frequent advertiser in all the teen books and the cross-over publications of *Glamour* and *Madamoisselle*.

It's no wonder then that with such regular topics like fashion, beauty care and personal hygiene plus various social issues that the teen magazines constitute the chief reading material for teens.

In fact, teenagers, both male and female spend an average of 2.6 hours a week reading magazines, their chief source of information.

"The market is very elusive," said Jay Cole, publisher of *'Teen Magazine*. "The traditional forms of reaching people don't work with teens, such as the newspaper. They don't read the newspaper and don't get information from TV either."

Teens reading magazines is very good news for advertisers, manufacturers and retailers since teens, especially girls, tend to stockpile magazines for sharing articles with others or rereading themselves.

What Teens Read

Girls	Boys
Seventeen	Sports Illustrated
TV Guide	TV Guide
Teen	Cable Guide
YM	Senior Scholastic
Senior Scholastic	National Geographic
Sassy	Time

Source: Teenage Research Unlimited, 1991

What they read is both expected and surprising.

Girls, 77% of whom say they read for pleasure, list the following publications as their favorites: *Seventeen*, *TV Guide*, *'Teen*, *YM*, *Senior Scholastic*, which is distributed in school, and *Sassy*, according to Teenage Research Unlimited, a consumer research firm headquartered in Northbrook, Ill.

Boys, 68% of whom say they read magazines for pleasure, list their favorite magazines as: *Sports Illustrated*, *TV Guide*, *Cable Guide*, *Senior Scholastic*, *National Geographic*, and *Time*. The latter two publications are read mostly because they are already in the home, probably purchased by their parents, explained Marla Grossberg, manager research services at Teenage Research.

The favorite magazine section is similar for both boys and girls: entertainment. Boys list their favorite section of the magazines as entertainment (stars, movies) followed by feature articles and fiction. For girls, beauty and fashion lead followed by entertainment and feature articles, which tied each other, and advice columns.

Teens Favorite Magazine Sections

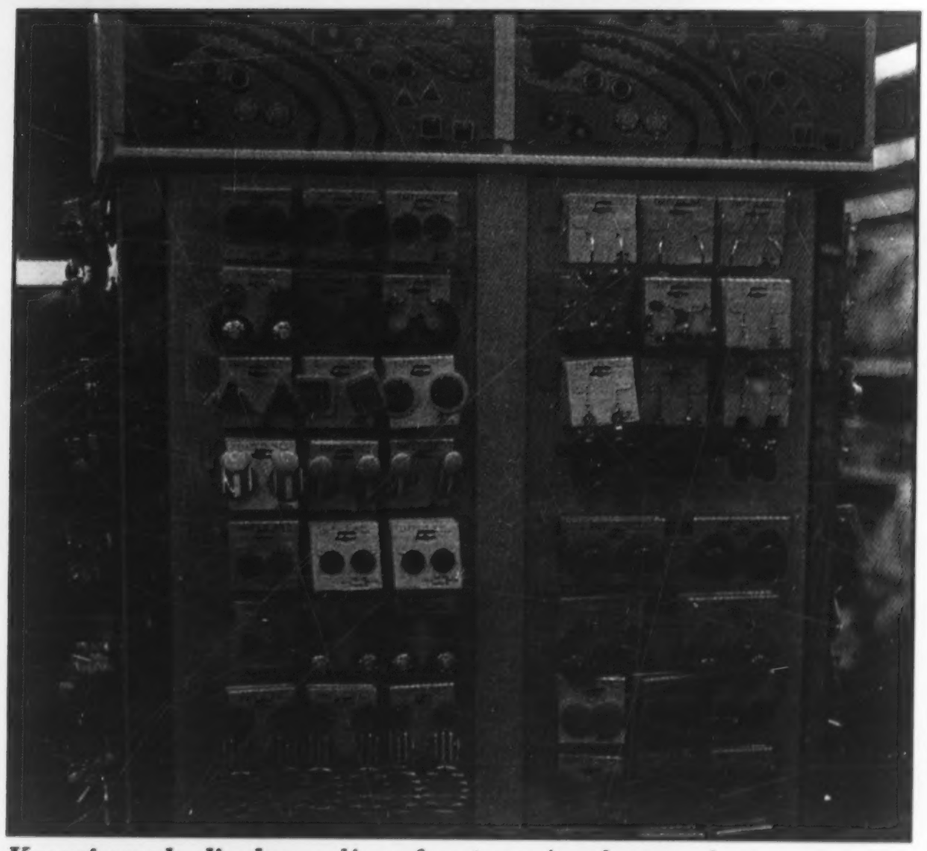
Girls	Boys
Beauty & Fashion	Entertainment
Entertainment/ Feature	Feature
Advice	Fiction

Source: Teenage Research Unlimited, 1991

The key editorially, which is also reflected in the ads, is self image, said Cynthia Bell, beauty editor for *Seventeen*.

With 1.75 million teen readers plus another 2 million aged 18 to 24, *Seventeen* is the largest of the teen publications. The responsibility of the publication, said Bell, is to guide the girls, step by step, into the next stage of their lives.

H&BC Brand Choices Are More Than Just Skin Deep to Teens



***Kmart amply displays** a line of costume jewelry earrings.*

Teens Learn About Cosmetics From:	
Magazines	52.9%
Store Displays	20.7
TV	15.7
Friends	6.6
Other	3.3

Source: *Drug Store News/Teen Magazine*, 1991

Teens Buy Cosmetics Impulsively	
Whenever I See Something I like	68.6%
Once A Month	21.5
Once A Week	5.8
No Answer	2.5
Never	1.7

Source: *Drug Store News/Teen Magazine*, 1991

Having fun and looking good are the key themes manufacturers use in appealing to teens, especially when it comes to cosmetics, health and beauty care items and costume jewelry.

Almost without exception, the model is younger—generally an older teen who embodies the aspirational qualities of younger teens—the copy is hipper and the package colors are more alive. The message, however, remains essentially the same as adult-oriented products: looking prettier and feeling more confident with the product than without it.

In addition, special cosmetics formulations that contend with youthful skin and their evolving lifestyle are a hit with teen girls, experts report. Moreover, the niche marketing and product development programs cultivate a brand loyal customer as young as 12 years old.

As a result, there is a tremendous amount of brand loyalty in the cosmetics industry at the youngest ages.

For example, according to a study conducted in 1990 by STARS, a Simmons research program for teens, 60% of 12-year-old girls said they use cosmetics, 39.8% claiming to be sole brand users. By the time girls are 18 and 19 years old, sole brand users in cosmetics rises to 46.1%

This level of brand loyalty in cosmetics outstrips that for hair care, fragrances, suntan/-sunscreens, headache/allergy medication, oral care, depilatories, and disposable shavers for 18- and 19-year-old girls.

With $50 a week on average to spend on themselves, teenage girls put cosmetics at the top of their shopping list.

Only in such areas as personal/feminine hygiene and health care products like tampons (60%), facial skin care (55.4), acne medication (66.5), and vitamins (53.9%) do the sole brand loyalty numbers exceed those for cosmetics.

With $50 a week on average to spend on themselves, teenage girls put cosmetics at the top of their shopping list.

According to a 1991 survey of teen preferences on cosmetics conducted by *'Teen Magazine* and *Drug Store News*, a sister publication to *DSN*, teen girls spend in excess of $5 on average per cosmetics/beauty care organizer item. That is tied with perfume/colonge and ahead of blush ($4.46); powder makeup ($3.98); body sprays ($3.82); facial masks ($3.72); and bath and body care items, ($3.47).

Companies such as Cover Girl and Maybelline, cosmetic leaders overall and especially strong with teens, have long had cosmetic lines specifically for girls as young as 12 and have been able to reap the benefits of those programs by keeping a loyal adult customer.

They're not the only ones.

Chad Mollica, executive vice president for R.N. Koch, N.Y., a costume jewelry manufacturer, started producing Young Sophisticate and Petites, for teens, and a junior line, New Dimension, five years ago, plus licensed goods for Gitano, that appeal directly to the fashion forward teens.

The price/value equation is very important to this customer, Mollica noted, and monthly updates are required to keep the teen lines fresh and on-trend.

"We work very close to the market," said Mollica. "A certain amount of pre-planning [is necessary as is the ability to] fly by the seat of your pants."

Key to both the jewelry and cosmetics lines are contemporary packaging, signing and promotions aimed directly at teens with the proper imagery.

"It is necessary to do this so the teenage consumer feels that she is stepping into that lifestyle; the benefit fits her need; the message is direct and relevant to teenage lifestyle," said one cosmetics manufacturer.

The results are tangible. A cosmetics usage study released by *Seventeen* Magazine last year revealed that cosmetics usage among teens who use the products is up over the previous year. When asked whether they are using more, less or about the same of a cosmetic compared to a year ago, the big winners were lipstick, up 51.5%, and lip gloss and nail strengthener/hardener, both up 41%.

The *Seventeen* study further revealed that cosmetics use by teens is well entrenched: 90% use lipstick; over 85% blusher; and 80% wear mascara. In addition, high usage numbers exist for face powder, foundation, eye shadow and just about everything else.

The growing ranks of teen girls provide both manufacturers and discounters with additional sales opportunities in the future. However, several experts noted that today's teen is a discerning shopper and a flood of new products may not be the only answer.

Teen girls report they are most interested in in-store service, product selection, and price, said Jay Cole, publisher of *Teen*.

"Today's teens are much more sophisticated than 10 years ago. They have more, spend more, and take a lot more into consideration when we come up with a product," said Carole Millsaps, marketing manager for Maybelline. "You can't just come up with something and put it out there and expect them to buy it."

Cosmetics programs must be comprehensive, direct, and honest. Maybelline has just expanded its line of Shine Free, oil control cosmetics for teens to include a blusher, and redesigned its packaging for a more contemporary look.

Also for teens, Maybelline offers Blooming Colors liner pencil, and Kissing Koolers and Kissing Potions lip products.

MERCHANDISING THROUGH THE AGES: 13-17

Service, Atmosphere Are Key to Retailers' Future Teen Sales

***ShopKo's Music and Movies** department, left, sports high tech displays, neon lights, TV monitors and popular music, for the sights and sounds popular with '90s teens. Clover's junior department, right, pulls together youth-oriented apparel with photos of today's teen girls.*

Appealing to the faddish teen market will soon cease to be an option for discounters. It will be required.

With the teen population growing, discounters will find that they cannot afford to avoid this wealthy group of consumers. Among mass retailers, a healthy respect for this potent shopper is likely to emerge this decade and with it store merchandising and marketing programs aimed at luring teens through the front door and down the aisles, and not just to the video and CD departments.

This is already happening, albeit slowly. For example, a number of discounters have embraced the Gitano apparel shops that feature high tech-looking displays and TV monitors in their junior and young men's departments.

Suggestions from a number of retailing experts include:

- Reviving teen boards;
- Hosting beauty workshops and fashion shows;
- Holding contests;
- Making the shopping environment more fun and lively by using music and video in the presentation;
- Providing teens with a place to be seen, perhaps even establishing meeting rooms for them in the store.

The key, noted Peter Monash, a retailing consultant based in Columbus, Ohio, is "providing an exciting and moving environment." Teens must feel comfortable in their shopping world and the more closely discounters try to make their stores resemble shopping malls the better they will do with teens.

Monash also feels that the recent socioeconomic pressures that have constrained adult purchases in the last few years are likely to impact teen purchases in the future.

As a result, Monash postulates that teens will take a more "sober attitude at retail and not as much frivolity. Therefore, they are likely to buy less, holding onto money for college."

If that is true, discounters may have the inside track. Monash said it is likely that teens in the '90s will have more realistic spending habits, concentrating their purchases, like their parents have done, on home-based items.

Providing teens with sales assistance will be more important in the '90s, added Jay Cole, publisher of *'Teen*, a magazine for high school girls. Research studies consistently reveal that teens want and need sales help and gravitate to the stores that provide it.

Cole also is in favor of reviving teen boards as a way of centering teen activity at the store level. He noted that JCPenney has been experimenting with it again, doing testing on a regional basis. He said Sears is looking at more magazine promotions, and Kmart is reviewing ways to further develop its participation in the Miss Teenage America contest.

"It's all a matter of distinguishing themselves in the marketplace," said Sid Doolittle, partner in McMillan/Doolittle, retail consultants. "It's a great time to discuss specialty niches, to figure out ways to satisfy today's teens." Doolittle, in favor of reviving teen boards, recalled that Montgomery Ward's old Wendy Ward program featured a national coordinator, a model, and chapters in every city. At the store level, clinics were held on how to use apparel, wear make-up, and various other products, sometimes with the instruction of a guest vendor.

According to David Miller, president of the Toy Manufacturers of America, arcade games using real flight simulation technology used during the Persian Gulf War are already in production for traveling amusement parks and appeal greatly to teens seeking reality, interactive endeavors. Eventually this technology will decline in price and could make its way into smaller versions for in-store programs and then into home games.

Retailers Tap Teen Niche

(Continued from page 76)

style, 34%.

U.S. Census Department figures show that Americans 17 years and younger totaled just over 64 million in 1990 and will swell to 65.7 million by the year 2000. Census forecasts that teens aged 12 to 19 will grow by 10% this decade.

It's important to note that as teenagers mature, their wealth grows. According to Teenage Research Unlimited, the average teen spends $37 a week of her/his own money or $59 weekly including earned and parental contribution.

The 1991 Rand Youth Poll calculates that teens aged 12 to 19 years influence $132 billion in annual spending, a combination of their influence on parents ($74.6 billion), their own earned income ($37 billion), and direct shopping for family, $21 billion.

Generally, the combined spending power and influence over other purchases exerted by the teenage market make it a powerful consumer force, one discounters have ignored or avoided because of its close link to fads.

But with the obvious spending power of this age group some retail experts say retailers, even discounters, cannot afford to keep teens at arms distance. Sid Doolittle, partner in McMillan/Doolittle, Chicago-based retail consultant, suggests retailers gain a "healthier respect for the power of this customer: their buying power and their ability to influence others and to set trends."

Doolittle suggests retailers outfit their store's teen-oriented areas with the "sights and sounds" important to that age group, such as music, videos and posters. Sears' Kids & More specialty department and JCPenney's juniors department are examples of retailers using these techniques.

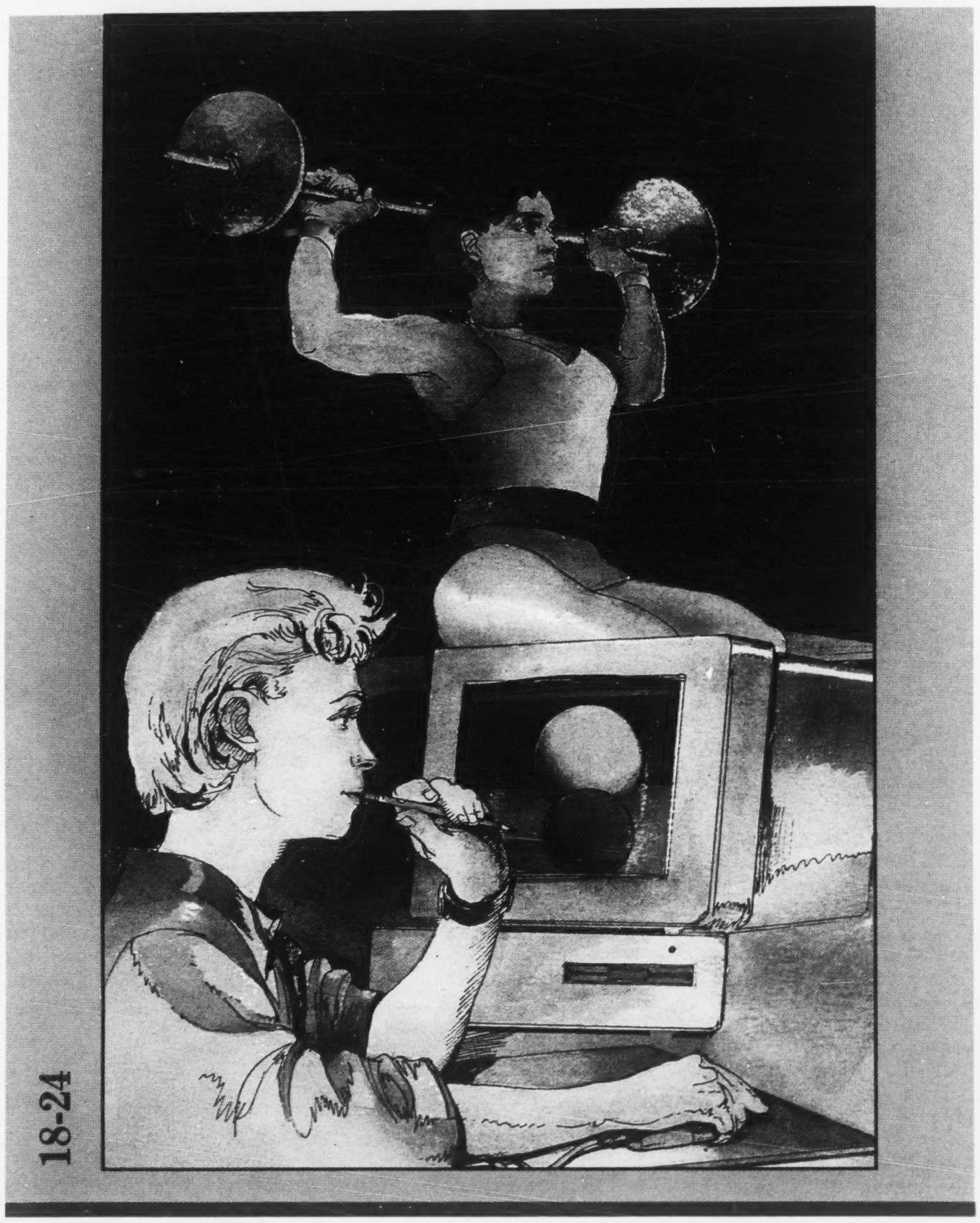
In fact, music, videos and the entire home entertainment category is a logical inroad into the teen market, but not the only one. Kmart is attracting teens into its stores via its eight-year involvement with the Miss Teenage America Contest (see story, page 76) and Jack Bush, chief operating officer for Michaels, a 146-store Dallas-based hobby and crafts chain, has found a niche in this market with crafts.

The rise in teen craft sales at Michaels has occurred over the last year, Bush said, and has been concentrated mainly with girls. The bottom line with crafts, he said, is that "$6 worth of goop on [a T-shirt, sweatshirt or canvas shoes] and it's a lot more expressive" and cost effective.

The traditional forms of reaching adults don't work with teens, such as the newspaper or television, said *'Teen's* Cole. Teens get a lot of information from magazines: on what to buy and how to use it in the critical categories of cosmetics, health & beauty care, and fashion.

Specific retailers with programs that appeal to teens via magazines, said Cole, include Fashion Bug and Clothestime, which often includes dollars-off coupons in their respective ads. Others include Kmart, JCPenney—which holds a model search program with *Seventeen Magazine*—and Sears. All advertise often to the teen market as do a host of manufacturers including Maybelline, Cover Girl, Salon Selectives and Alberto, which hold various kinds of contests, and model searches.

MERCHANDISING THROUGH THE AGES: 18-24



Kids of '60's Kids Look For Quality, Durable Goods

Most 18- to 24-year-olds value quality, durability, long product life, 'natural' ingredients and simple value for the money

By Pete Hisey

Pity today's late teens, the baby bust generation.

Their economic future is grim. And to add insult to injury, the baby boom generation that preceded them and seems to have locked up all the good jobs, second homes and fast cars has also left a near-permanent image of young adults as crass, materialistic, conservative, and motivated solely by money.

In reality, there has been a profound change in young Americans over the past five years. For the first time in decades, it might actually be useful to think of older teens as younger versions of their parents. They are children of the children of the '60s, noted Marian Salzman of BKG Youth, a market research firm based in New York.

Young people today share many of their parents erstwhile social concerns, particularly in terms of the environment, work that is both worthwhile and not too demanding on their outside lives, economic fairness, and leading a happy, not necessarily wealthy, life.

"But," she added, "they're a lot more realistic than their parents were. They know nothing comes for free."

While many suffer from "boomer envy," the majority of those in the 18-24 year old group have evolved into an eco-generation that values quality, durability, long product life, health-related benefits, "natural" ingredients, and most of all, simple value for the money. They are not particularly thrifty, in the sense of denying themselves things they want, but are more apt to think about what they really want before making a purchase. If a tape of songs from a CD will do, they'll tape and bypass the CD purchase, for instance.

Consumption is no longer a status symbol, and most feel they will never have the opportunities and lifestyle of their parents, so they will have to make do with what they get.

This mindset is visible in a number of applications. For instance, vintage clothing stores are popping up right and left. Why? Because it is now something of a status symbol to find something of quality that is not mass-produced, dirt cheap. Shiny, new and disposable is out. The Gap and JCPenney are hot because of their basic, colorful, durable and value-priced apparel, and chains like Marshalls, Lechmere and Kmart get thumbs-up for their value and quality, Salzman said.

Another major influence on these kids, and one that will have major ramifications on their consumer behavior, is a new concern with the family. Often they come from single-parent or both-parents-working households, and while they don't really believe in the "Father Knows Best" family model, they'd like to find out for themselves. A majority plan to marry early (at about 26, but trending down to about 23 with younger members) and have children within three years. Most want two children.

The two above trends lead to some interesting marketing ramifications. For instance, the presumption that younger consumers are penniless is plainly not true. Most still live at home and work. At-home singles, according to J. Walter Thompson, number 23 million and have an income of $179 billion. While that, per capita, is the lowest of various age- and life-groups (like married couples of whatever age), remember that most of these consum-

(Continued on page 87)

MERCHANDISING THROUGH THE AGES: 18-24

Kids of '60s Kids Want Quality

(Continued from page 84)
ers pay no rent, no utilities, no telephone and no food bills. Their money is, essentially, discretionary income.

What are they spending it on? Apart from concert tickets, music software, and beer, evidence suggests they invest in the types of things that will make early parenthood, with its attendant poverty, a bit more bearable. Furniture, appliances and home textile products are good examples. At a recent Target store opening in Austin, Texas, the store manager noted a distinct uptick in sales of quality home furnishings during the first month or two of the school year; college students that used to buy the cheapest set of sheets now buy coordinated sets for use after graduation. Sales of other durable products, like housewares, was also up during those periods.

Of course, not all of these young adults are actively planning their lives years ahead, but even those that are not purchasing "hope chest" type goods are out there looking. They clearly like their parents, but plan to move out on their own as soon as economically feasible, and they want at least some of the comforts of home when they do.

It's really difficult to get an accurate fix on older teens and early 20s consumers; they form a highly fragmented and diverse group.

"They are much more diverse than in the past," noted Rita Malatesta, research manager for *Spin* magazine. "They are highly individual and less likely to run with the pack."

That really shows up, she said, in the wide variety of music types that are hitting the top of the charts. "There's no one music anymore; there's everything from rap to metal to punk to folk to World Beat," she said. "You can't lump them into any one mold."

Nevertheless, while they may be a fragmented, often contrary group, certain approaches will have near-universal appeal to them. The first and most important is family. These are the children of the first wave of yuppies, the two-income, highly cynical, have-it-all-and-damn-the-psychic-cost generation. They are the latch-key kids and the children of the pre-AIDS divorce boom. They value the sense of continuity that family provides and of which they were often deprived.

"They're turning into homebodies," said *Spin's* Malatesta. "They're very interested in cooking and crafts and other home-oriented activities. They came from a less stable background than many of us [older Americans] and are determined not to repeat those mistakes."

As much as younger adults like and respect their parents (when asked who their heroes are, they almost universally answer "my parents," with "mom" outpolling "dad" by a wide margin; no one else really gains significant mentions), they are suspicious of the status quo. They have no respect for politicians, lawyers, and anyone in it for the money.

"They want to make money, but not as an end in itself," Malatesta said.

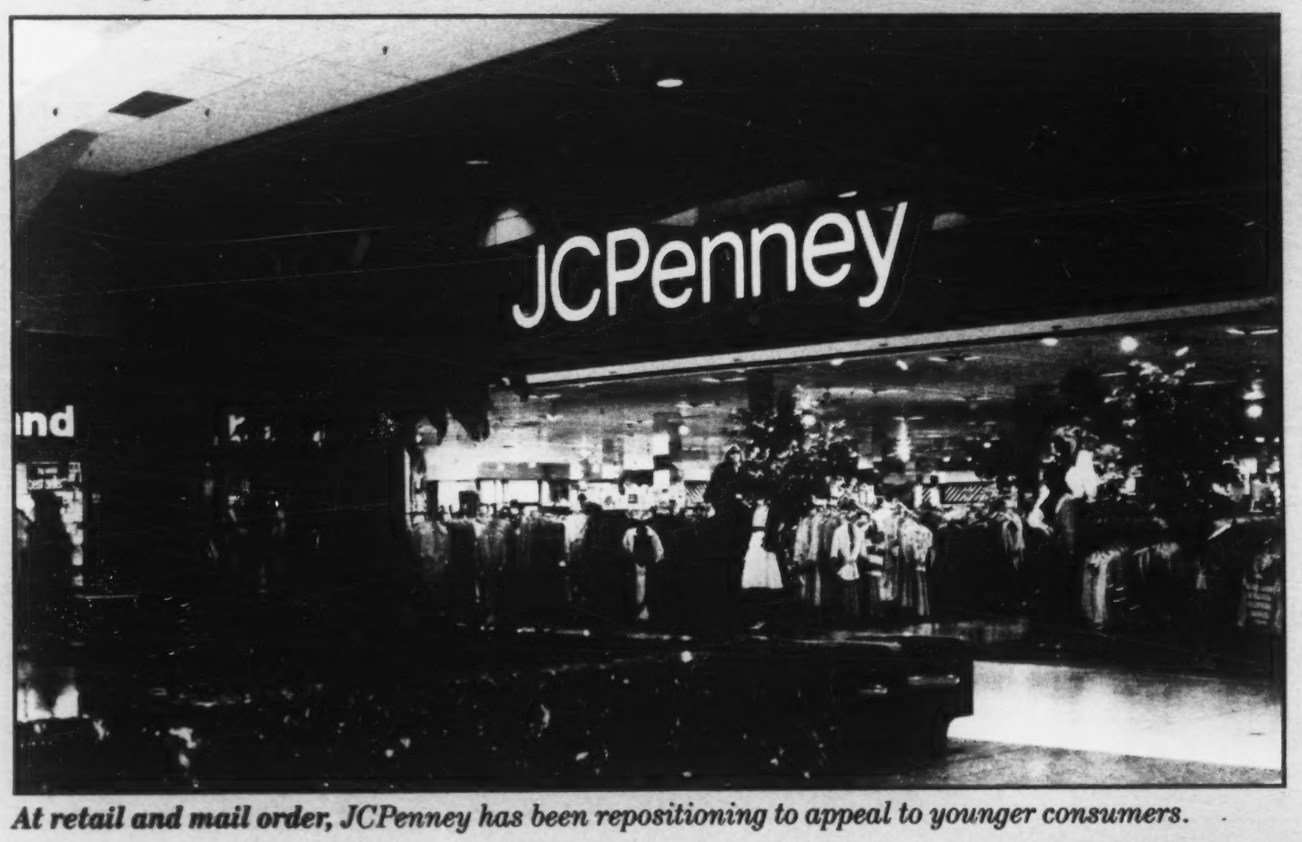
The AIDS plague has really struck home with these consumers. In addition to the concern with safe sex, building long-term relationships and avoiding drugs, comes a real concern with the underdogs in society. That can be expressed in everything from the continuing popularity of Magic Johnson (he's even more popular post-HIV, for his honesty) to an almost total revulsion at products that are tested on animals. In a recent focus group conducted by BKG Youth, participants made a point, unasked, of rejecting makeup and other such products that test on animals. Another consequence: vegetarianism is on the rise among younger consumers.

Overall, the mores of the new generation should be encouraging to discounters. While they are still a few years away from prime customer status, they are already aware of discount stores and have a positive view of them. Their home orientation, general thriftiness, and sophisticated knowledge of products and brands also plays into discounters' hands.

And it appears their younger siblings are even more pronounced in these attitudes.

One caveat, though. During a recent focus group, there was an extremely strong bias against category killer stores. Yes, we want selection, the group said, but the big specialty stores (the reference was to Tower Records and HMV) charge too much for the selection. "$11 for a cassette? It's like they don't think we know what the Wiz is charging," one respondent noted.

Style, Family Values Boost Penney



At retail and mail order, JCPenney has been repositioning to appeal to younger consumers.

DALLAS — The resurgence of JCPenney over the past two or three years has been no secret in the mass retail industry, but the extent to which it is favored by young adults might surprise competing retailers.

In a poll conducted by BKG Youth, a marketing agency specializing in those under 22, Penney was a major favorite, particularly in mail order, where it whomped all comers as the place 16- to 24-year-olds like to shop. Of those queried, 40% identified Penney as their favorite mail order source, followed by J. Crew at 15.5% and Victoria's Secret, with 14%.

At retail, the mass merchandiser dominated the department store category which in turn dominated the voting, with 40%. The Gap was a strong second at 28%, and discount stores finished a respectable third, with 13%.

Penney, the only source named in both retail and mail order polls, has done a masterful job in repositioning itself with younger consumers.

"We've really been focussing ourselves, and we're seeing very favorable results," said Penney merchandise manager, juniors Stephen Carter. "People in this age group are really keyed to good value, and we've adjusted our mix accordingly." Carter said that juniors has been remerchandised, with buyers choosing key items (which account for 20% of skus and 60% of sales in the department) that are "packed with value." To stay up-to-the-minute on fashion, Carter said, labeled goods are purchased monthly by the buyers, who then present an electronic fashion show broadcast to all stores. Store level merchandisers then fill in their assortment from goods offered on the show.

Consumers this age, Carter said, "are very much like their parents; they have turned away from the excesses of the '80s. They are not brand conscious; what's important to them is quality and price. Also, shoppers are not loyal at all. I suspect that the average shopper can be in a department store, a discount store and a specialty store in one day; they're as comfortable in Target or Wal-Mart as they are in Macy." Younger shoppers are also extremely family-oriented, he added.

So Penney has consciously aimed at both the quality/price combination and the family orientation in its advertising, which emphasizes something for the whole family and accents the word "change." "It seems to be working," Carter said. "We had a great first quarter, with double digit gains in a weak economy. We've spent a lot of money redoing our stores and remerchandising our assortments, but it's paying off."

Evidence suggests they invest in the types of things that will make early parenthood, with its attendant poverty, more bearable— furniture, appliances, and home textile products are good examples

Savvy Young Adults a Key to Growth in Computer Market

When it comes to price, *most 18- to 24-year-olds are open-minded about where they'd make their purchases.*

The age 18 is a pretty major step into adulthood in the United States. While young adults may be staying at home longer, by 20 or so they have a job or are enrolled in college.

It's a time to put away the video games . . . and step up to computer games. While most retailers don't have a fix on just who is buying the bulk of personal computers, it's certain that the model of the 45-year-old entrepreneur starting his own business only tells part of the story.

Jim Nakamura, executive vice president of office superstore chain WORKplace, which recently merged with Staples, noted that 11% of computers sold in the past 12 months went to those in the 18 to 24 age range, and that female consumers now account for nearly half of all units sold. Singles accounted for nearly 40% of sales, and in an interesting aside, over half of purchasers had no college experience.

In the United States today, a college student (particularly in technical areas) needs a computer just to get by. Young adults not in college may lag in computer sales, but as prices come down, they will become major consumers. They have almost literally grown up with the technology, which first became widespread in schools in the mid-'80s, and they don't have to be sold on the role the pc can play in their lives.

Clearly, multimedia capability, expandability, adequate power, and a perception of quality will be important in swaying this consumer.

Marshall Paisner, senior computer buyer at BrandsMart USA, noted while his company doesn't track sales by age, the trend is up for younger consumers. They tend to be brand-loyal, Paisner said, and favor Apple and IBM products, probably brands they recognize from school.

Alan Haber, staff director, communications, of the Electronic Industries Association's consumer electronics group, noted that consumers 18 to 24 are a key element in the growth of the computer in the mass market.

"A few years ago, you had to go to a specialty store to get a computer," he said. "But today, manufacturers have to go where the customers shop, and with people in this age group, that means the mass market."

That does not mean that young adults are unsophisticated, he added. "On the contrary, they're very sophisticated, a lot more so than most of us were at that age. And they've been exposed to more and better products than older Americans ever were. They love to have a choice, and make really intelligent value decisions."

For instance, he noted, while a pc's price might be the single most important consideration, the young adult will value expandability just as much. "They're thinking ahead," Haber said. "They're thinking in terms of an investment that will accompany them as their lives change."

Clearly, multimedia capability, expandablity, adequate power, and a perception of quality will be important in swaying this consumer. Of particular interest, a recent focus group of late teens said, is ease of use. "I don't have time to sit down and read a book every time I want to do something on a computer," one participant noted, to general agreement. Built-in software, a step-by-step on-screen tutorial, and easier-to-use software will appeal strongly to these users, who view computers as a commonplace, but overly complicated, technology that they would prefer to use if convenient. One respondent noted that he would just as soon give up his Sega if he could play the same games on a computer.

Retailers should remember that even when young adults aren't buying, appealing to them is very important. Students are a major resource for their parents in making a computer buying decision, and "remember that these shoppers are your future purchasers," Haber said. "A lot of them are looking at what's available" for when they set up their own households.

An important consideration in dealing with 18- to 24-year-olds is selection, according to Haber. "They're used to a lot of choice, and they make very sophisticated decisions."

Consumers this age can also make or break a product. They "made" mini-systems (which were ideal for dorm rooms), portable video games, boomboxes, personal audio and many other products, and have also played a role in the popularization of personal electronic organizers and electronic translators. They will play a significant role in the final success of advanced computer products, as both consumers and influencers of other consumers.

And, according to a recent focus group, this age group is very open-minded about where they will shop for computers. While their first response to the question "Where would you buy a computer," was a computer store, most agreed that if Kmart or electronics superstore The Wiz offered a brand name they recognized at a savings, they'd probably buy there. "Just so long as it's a good product and easy to use," one participant said.

That indicates that retailers should market directly to this age group, even if the intial sales results are marginally affected. According to WORKplace's Nakamura, the next life group, 25- to 34-year-olds, are now responsible for a third of all sales, far more than their share of the population would suggest, while sales to older consumers is slumping. A retailer which positions itself as a destination for computers now could reap a handsome dividend at these young adults age.

It's worth noting here that appeal to females is very important in this market. Women today see fewer differences between themselves and males who are their own age, but will express repulsion at certain types of stores that they consider to be too male-oriented. This could give discount stores, with their primarily female audience, an inside track on the product line when women in this age group decide to buy a computer.

MERCHANDISING THROUGH THE AGES: 18-24

Post Boomers Set Home Entertainment Trends For All Ages

***18- to 24-year-olds** are prime consumers of personal stereos and boomboxes, on display here at Good Guys.*

While young adults have always been prime targets in the home entertainment field, their strength in recent years has ebbed, more because there have been fewer of them than that they're spending less on these products.

However, the baby bust has bottomed out, and as this group ages, it will enter the prime household-building years, and the indications are that these young adults will build households with a vengeance.

In certain areas, like personal stereo, boomboxes, and video game systems, those in the 18 to 24 age group are leading-edge consumers. In blank tape, they are dominant. And, perhaps most important, they are often the decision makers for more substantial family purchases, like televisions and audio equipment.

And, more and more, these shoppers are looking for the sort of high ticket durable goods that will allow them to move smoothly from their college dorm or bedroom back at the parents place, into a home of their own.

According to Alan Haber of the Electronic Industries Association's consumer electronics group, this is a trend-setting group who not only make significant purchases themselves, but influence the purchasing behavior of other, wealthier consumers, primarily their parents and grandparents.

"The credit card companies were really quick to jump on this group," Haber said. That's because they're not just buying concert tickets and burgers anymore; they are a thrifty, relatively cash-rich group of consumers that are seriously looking at settling down in the not too distant future, and are already planning for the time when they'll have to establish their own households.

The key to appealing to these shoppers (and just as important, future shoppers) is value. Value means many things to these consumers, from price to durability, but it clearly includes product usefulness. They have seen too many ephemeral examples of planned obsolescence come and go in their lifetime (remember the first video game boom in the early '80s? Acid wash jeans?).

These shoppers might be slow to jump on new technologies like HDTV and interactive CD because of their fears that they will be made obsolete quickly, as well as raw price (HDTV) and/or the cost of both purchasing and replacing software (DCC, Mini Disc, and CDTV, perhaps).

At a recent focus group, however, Sony's Mini Disc system created interest, because of its relationship to the extremely popular CD. Younger consumers are still buying more cassettes than CDs, but that's a function of price. The $16 ticket is simply too high for someone with a limited income and thirst for new music. As these consumers leave school and work full-time, however, CD players seem to be on the top of their shopping list.

"CD and digital are major buzzwords with this age group," noted Memorex director of marketing David Williams. "They're not a major factor in sales, but as influencers, they're very significant. They are highly feature and price oriented, and want the latest in any category they choose. They're very in tune to trends, and can make or break a product, or even a brand name."

Because they are willing to invest time into product research, by reading magazines like *Rolling Stone* or *Stereo Review* and by talking about home entertainment products with their friends, they are "extremely sophisticated, much more than we give them credit for," Williams said.

Also, because they tend to consume more software on average than older consumers, they tend to visit stores that offer a good selection of cassettes and CDs more often than those with a purely hardware approach. Best Buy in the Midwest and The Wiz in New York have both established highly competitive, fully stocked music departments to draw younger consumers in regularly on the assumption that when they're ready to buy higher ticket items they'll return to the stores they're used to shopping.

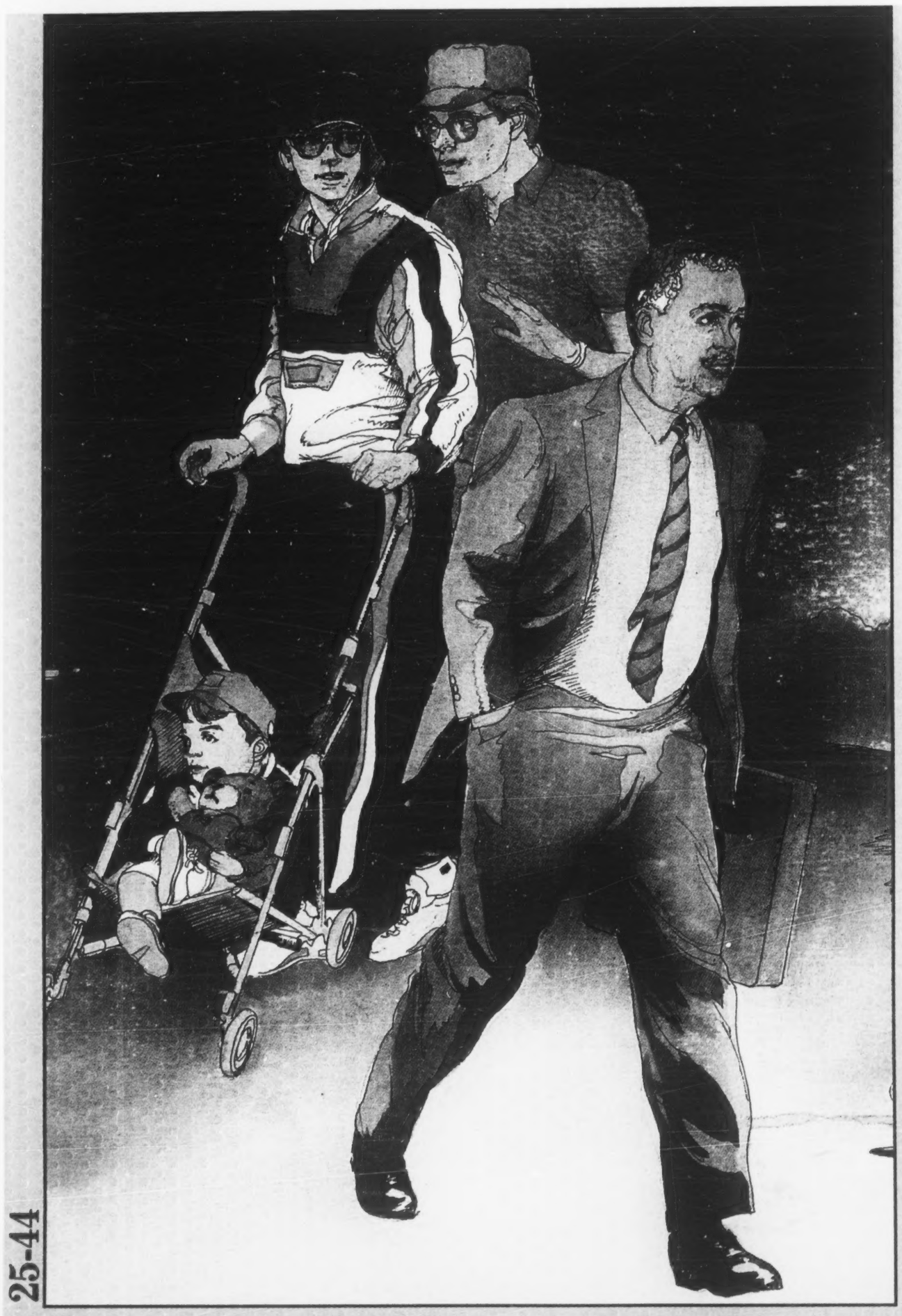
This group not only makes significant purchases, but influences the purchasing behavior of other, wealthier consumers, primarily parents and grandparents.

And, it works, according to a recent breakout of Best Buy's figures. While Best Buy's audio/video software sales (which offer a common sale price for CDs of $9.99, far below market average) grew rapidly to about 7% of total sales from 5% or roughly 40% (as estimated by Goldman Sachs analysts David Bolotsky and Scott Ehrens), total sales grew by 44.8%, an even faster rate.

The real benefits may be down the road, though, as these consumers, used to shopping Best Buy, return for large screen televisions, personal computers, microwave ovens and other durable (and big-ticket) goods necessary for building their households.

As they age, these shoppers promise to be extremely finicky consumers. They demand top selection, rock-bottom prices, recognized leading brand names, uncompromised quality, excellent service and convenience. The retailer who can figure out how to combine these attributes, and still make money, will be the winner in the home entertainment category.

MERCHANDISING THROUGH THE AGES: 25-44



After 2030, only immigration will permit the U.S. population to grow, Fossett predicted, because by then the number of deaths per year will exceed the number of births

Core Shopping Group Shrinking as Baby Busters Grow Up

By Richard Halverson

Baby boomers and their children are king of the consumer hill during the '90s.

But as the leading edge of the baby boomers slips into middle age, those born to a "baby bust" generation that follows on their heels threaten not only to knock them off the hill but also to whittle down the size of the hill.

"The starting point for retailers is to realize what's happening to the size of the market," said Erin K. Fossett, domestic economist for the First National Bank of Chicago.

Those ages, 25 to 44, constitute the largest chunk of the American population, the 1990 census found. Of a total population of 250.4 million, that age group totaled 81.8 million, or 32.7%. By the year 2000, that age group will slip to a projected 81 million, or 30.2% of a population of 268.2 million.

"The U.S. economy is seeing the last gasp of the baby boomers, a wave of population growth that boosted demand," Fossett said.

To demographers, the baby boom began in 1946, peaked in 1957 to 1958 and ended in 1964. So those born at the peak have reached their mid-30s and are into their peak family formation years. But those born at the beginning of the boom have slipped past the age 44 mark into middle age and its different set of spending priorities. After the year 2000, the first born of the baby boomers will start to become elderly, she said.

Consumers who now are age 28 represent the tail end of the baby boom and those ages 25 to 27 represent a different generation, the "baby bust generation" with "differing values, shopping habits and income levels," said Carl Steidtmann, chief economist of Management Horizon, Columbus, Ohio, the retail consulting division of Price Waterhouse.

The birth rate fell considerably after the mid-'60s, "a factor that will also have an important economic impact,"

(Continued on page 94)

MERCHANDISING THROUGH THE AGES: 25-44

Baby Busters Shrink Size of Group

(Continued from page 93)
Fossett wrote in a March 1992 bank report, "Impact of the Changing United States Population."

Those born between 1965 and 1976 constitute the baby bust generation, Fossett said. Coming to the marketplace in smaller numbers, less educated and earning less than their baby boom predecessors, those of the baby bust generation are curbing consumer demand, she said.

"Population growth picked up somewhat after 1976, which reflected the larger population of Baby Boom women reaching childbearing age, rather than an increase in fertility rates," Fossett noted. "Over the next decade, population growth is expected to decelerate as a result of the downward trend in fertility rates and a smaller population of childbearing age women. The expected slowdown in population growth will have a powerful impact on long-term economic growth."

After 2030, only immigration will permit the U.S. population to grow, Fossett predicted, because by then the number of deaths per year will exceed the number of births.

The two different generations represented in the 25 to 44 age bracket each have significant differences, emphasized Steidtmann of Management Horizons.

Educational levels peaked for baby boomers born in 1946 to 1948, Steidtmann said.

Those of the baby bust generation have about one year less college education than baby boomers.

Even those with the same education earn much lower salaries than baby boomers did, the economist said.

Baby busters have remained single longer and are more likely to live with their parents, he said.

"They are much less interested in shopping, especially for home furnishings and home purchases."

Attitudinal surveys that Management Horizons has conducted shows that those age 24 to 27 are more cynical than their baby boom cohorts of 10 years ago, Steidtmann said. "They are more likely to disbelieve advertising claims and what salesmen tell them."

Baby busters are more difficult to communicate with because they are more image-oriented and less textual, he said.

Baby busters need more "visual stimulation, with eye-catching displays," he said. Advertising should appeal more to the emotions than to the intellect, he advised.

"Baby boomers are our prime target," said Jack Smith, chief executive officer of Sports Authority, Kmart's sporting goods specialty chain. "We carry the things they like to play with.

"They are all into health and fitness. They grew up with a tennis racket or golf club in their hand, rather than a football or basketball," he said. "That's our customer."

To reach them, Sports Authority spends 80% of its ad budget on radio and TV.

Baby boomers "hate to shop," said Susan Hayward, senior vice president, Yankelovich Clancy Shulman, a New York consulting firm that tracks consumer thinking. "They find the process distasteful," Hayward said, although a lot of retailers have yet to discover that. Wal-Mart has and makes shopping easy by piling up merchandise and making it easy to find, she said.

Anything retailers can do to make the shopping experience easier, such as assembling package deals for room settings or apparel assembles, will appeal to them.

The median age of baby boomers is 35 to 36, and babies and families are their major concern, said Cheryl Russell, former editor-in-chief of *American Demographics* magazine. Russell wrote *100 Predictions of the Baby Boom*, and now serves as vice president of New Strategist Publishers, Ithaca , N.Y. and as an industry consultant on the baby boomers.

"A source for value" is connected to those ages 35 to 39, Russell said. "They have many competing interests for their dollars," she said, and, with kids to worry about, they have to work hard to spend them.

Retailers should take a "kid-oriented approach" to reaching baby boomer shoppers, Russell advised. One way would be to provide a place where parents could park their kids while they shop. Some chains that already are doing that include Fred Meyer, which operates day-care centers in its newest prototype stores. In addition, IKEA provides child play centers in its home furnishings megastores.

The one-stop shopping offering groceries and general merchandise under one roof also appeals to busy baby boomer parents, she said.

Stuarts, Franklin, Mass., is playing to the needs of its predominately (80%) female and busy baby boomer customers by resetting its 20 stores and putting up new signage that redefines departments for easier and faster shopping.

With so many of its women customers working, "women will spend money to save time," said chief executive office Joe Ettore. "It used to be that women would spend time to save money," he said, but today "shoppers are in a hurry."

Baby boomers head 41 million households and 60% of them include children under the age of 18. For families headed by those ages 35 to 39, 69% include children, Russell noted.

"If you're targeting affluent baby boomers, stress quality and value rather than indulgence and luxury," Russell advised. Due to demands of hefty mortgage payments, soaring college tuition bills and savings for retirement, "many affluent baby boomers will not be interested in buying luxury products," she added. But the baby boom generation is aging, she warned. By the year 2000, one-third of the nation's grandparents with grandchildren under the age of 18 will be baby boomers, she wrote.

Baby Boomer Generation Profile

	Ages 25-44	All Adults*	Index
Average Age	34.0 years old	43.3 years old	79
Average Household Income	$39,700	$37,200	107
Dual Income Households	63.8%	48.7%	131
Home Ownership	48.2%	53.6%	90
Education	14.3 years	13.8	104
College Graduate	21.7%	16.7%	130
Average Number in Home	2.9 persons	2.7 persons	107
Average Number of Children Under Age 18	1.9 kids	1.8 kids	106

*Ages 18 or older

Source: Impact Resources, Deloitte & Touche

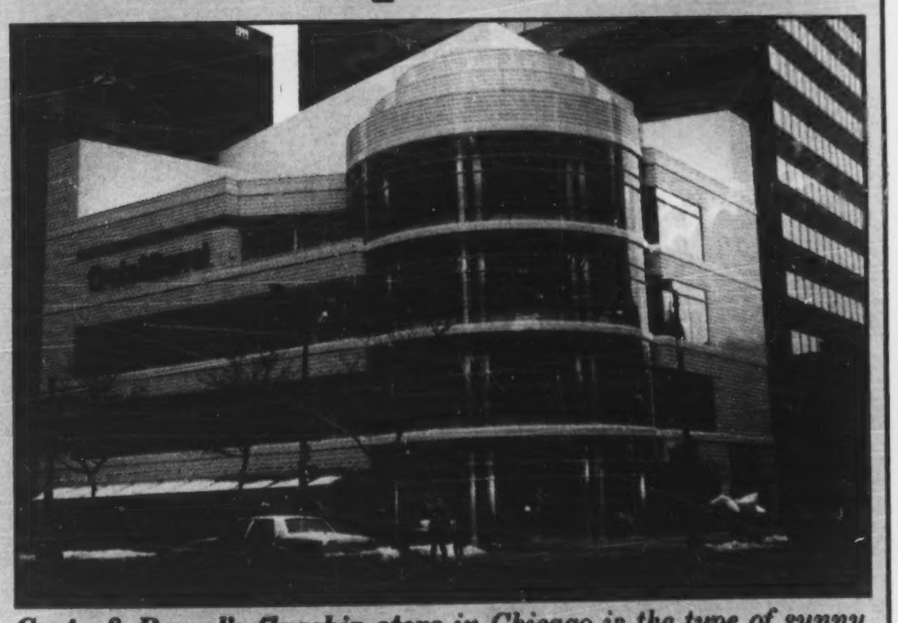
Crate & Barrel Equals Value

CHICAGO — The closest that Crate & Barrel comes to being a discounter is operating four closeout stores, in Berkeley,Calif., Kittery, Me., Dallas, and Chicago to move discontinued goods at a markdown from its 37 full-price stores.

But in merchandising "good value" to the baby boom generation, the home products chain stands out from its peers, said Carl Steidtmann, chief economist for the Management Horizons retail consulting division of Price Waterhouse. The hallmark of Crate & Barrel (C&B) is "great visual merchandising," Steidtmann said, "in a sunny, bright appealing kind of store."

C&B specializes in importing exclusive housewares, kitchen accessories, tableware and furniture (in four units) from around the world, said spokeswoman Bette Kahn, so price comparisons are difficult.

On common merchandise that other chains carry, though, C&B prices are lower because it imports directly, she said.



Crate & Barrel's flagship store in Chicago is the type of sunny, bright value-oriented store that appeals to baby boomers.

Each store employs a designer to blend the proper mix of color and light into displays throughout the store. The designer will spotlight glassware displays, for example, to make sure they sparkle, Kahn said.

Early on, C&B begin displaying goods on colorful Marimekko fabrics from Finland, the better to contrast with the signature wood floors and white walls.

In 1990, C&B opened its 45,000-sq.-ft. flagship store on Michigan Avenue, Chicago. The five-story building features on the two street sides a dramatic exterior of white aluminum and floor to ceiling glass, a far cry from the first C&B store of 1,800-sq.-ft. opened in an old elevator factory.

Founder Gordon Segal named his store after the overturned crates and barrells he first used for display fixtures.

Baby busters are more difficult to communicate with because they are more image oriented and less textual

Reflection of Times: Baby Boomers Take To Home Furnishings

***Bradlees has doubled** the linear footage devoted to framed art, from 20- to 40-ft., in its remodeled stores.*

Conservative. Value-oriented. Traditionalist. Performance and quality minded.

When it comes to shopping for home decor and home furnishings, those terms best describe what motivates the Baby Boomer wave, the crest of which has reached age 44.

In the '60s, the baby boomer generation grew up in rebellion against the depression-era values of their parents, said George Rosenbaum, president of Leo J. Shapiro & Assoc., a Chicago-based consumer research firm.

Now they have turned their backs on the turmoil of the '60s, the sexual revolution, social experimentation, drugs, challenge of authority and conflict, Rosenbaum said, and want homes that will reflect stability for their children and reinforce the values they want to instill in their youngsters.

More than three-fourths of baby boomers are heading families and almost half are married with children, he said, and they are "highly concerned about living a protected life and being part of the establishment."

Retailers must display signals that they understand the wants and aspirations of baby boomers and that their stores carry the home decor products that will make the baby boomer vision of home work, he said.

More home furnishings are being designed for a home office for parents and a workstation for their kids. Staples, for example, offers modular computer furniture, desks of all shapes and forms for kids, lighting for children's rooms, as well as home offices, and modular storage units.

Books and art are other categories of home decor that help establish the vision baby boomers have for their homes

Changes are taking place in the way children's rooms are being furnished, including more storage units and personal phones at an earlier age.

Books and art are other categories of home decor that help establish the vision baby boomers have for their homes.

"Part of their well being is that you shouldn't look at bare walls," Shapiro said. "Parents want to hang stuff on their walls that reflects their values. You're seeing more art and books in discount stores."

In its remodeled stores, Bradlees has doubled the linear footage devoted to framed art to 40 feet from 20 feet and increased price points to $24.95.

In the face of phenomenal growth in videotapes, reading materials for youngsters also has grown, Rosenbaum said.

The rise of *Lady Bug*, a magazine for kids aged 2 to 6, illustrates the trend away from comic books, he said.

Baby boomers "are desperate for simplicity in their lives," said Cheryl Russell, vice president of New Strategist, Ithaca, N.Y., and consultant on demographics and baby boomers. The Gap has done so well because of its simple, almost spartan layout that doesn't overwhelm shoppers, she said.

Prime-Age Population Growth and Household Formation (Average Annual Percent Change)

	Population Growth Aged 25-54	Household Formation
1950-59	0.7%	1.9%
1960-69	0.6	1.8
1970-79	1.9	2.5
1980-89	2.2	1.6
1990-99	1.0*	1.2*
2000-09	0.0*	

* 1990 Bureau of the Census Projections

Source: First Chicago

And they can offer a little something extra for the kids, such as the play areas of IKEA home furnishings stores or the Hanna Andersen clothing store chain based in Portland, Ore., she said.

In appealing to the baby boomers, Glidden paint uses an emotional approach that appeals to all the senses, said Charles Carpenter, vice president, marketing services.

Baby boomers are trapped in the memories and styles of the '50s and '60s when they grew up, Carpenter said. Based on findings of its baby boomer market research, Glidden paint used music of the era in the advertising campaign that it ran over the past two years, he said.

Baby boomers want a custom, quality look, said Wendy Keryk, senior vice president of Home Innovations, New York.

They are spending a higher proportion of their disposable income for home decor than did previous generations, she said. The market is more fashion-driven than price-driven, Keryk added.

Household formation generally follows population growth, concluded First Chicago bank in a 1992 demographic study. During the '90s, population growth will slow to an average of 1% a year from 2.2% in the 1980s, the bank concluded from 1990 census projections.

Household formation in the '90s has slipped to an average yearly growth rate of 1.2% from 1.6% in the '80s. Even more ominously, U.S. population will stop growing in the years 2000 to 2010, the study concluded.

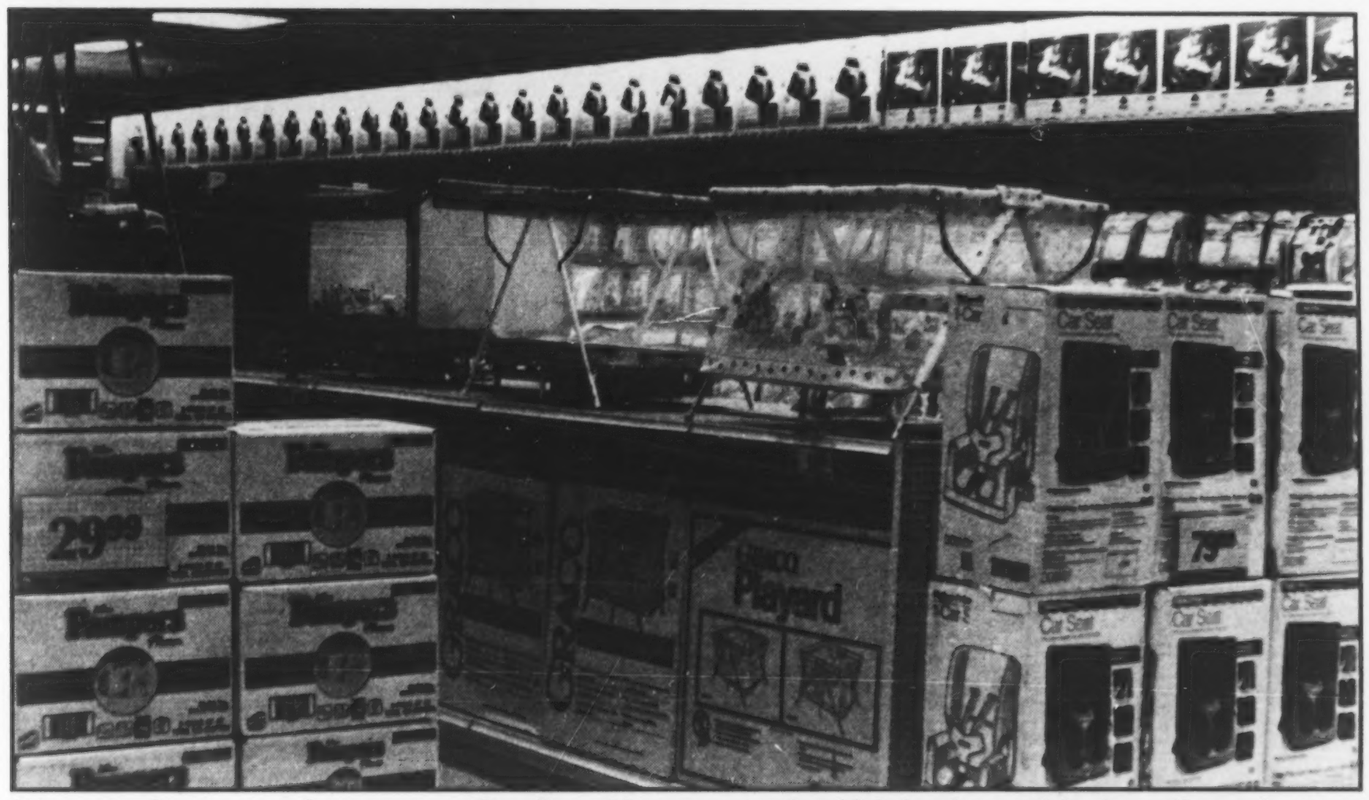
Largely because of higher home prices and interest rates in the '80s, the percentage of ownership in the population as a whole declined by one percentage point between 1983 and 1988, instead of soaring as it should have because of rapid growth in the number of middle-aged Americans.

The decline was even larger among those ages 25 to 44. For married couples ages 25 to 29, the percentage who owned their own homes slipped to 50.1% from 52.2%, reported *American Demographics*.

For those ages 30 to 34, the percentage dipped to 68.2% from 69.7%. In the 35 to 39 bracket, home ownership declined to 77.0% from 78.6%. And for married couples ages 40 to 44, the percentage declined to 83.5% from 85.2%.

Looking ahead, the homeownership rate should increase, due to lower interest rates, an aging population and consummation of marriages delayed for career reasons, the demographics journal concluded.

Retailers Cautious About Sales Impact Of First-Time Parents



***Diapers, playpens and car seats** at Bradlees: New parents should drive demand for juvenile products.*

By Michael Hartnett
Special to DSN

The 'baby boom' generation has earned a bad reputation with mass merchants and suppliers because of its ability to confound demographic projections. This 24 to 44 age group is expected to start having more children and thus, drive sales of juvenile products, infant products in domestics, and perhaps infant and pre-school toys. But retailers and suppliers are leery.

"The baby boom phenomenon has been the topic of conversation for the past 15 years; it has been the defining force that you can put your hands on. But I look at the better business we are enjoying as being a measure of the economy rather than because of the baby boom," said a division merchandising manager from a major chain based in the South.

Indeed, there is good news in the 8% sales increase reported by the Juvenile Products Manufacturers Association, and the industrywide, 20% first quarter increase in the juvenile products within domestics. There are also some bright spots in some preschool and infant toy categories being reported by the Toy Manufacturers Association. But retailers are not convinced that first-time parents in the "boomer" generation are a significant driving force behind these changes.

At Shopko, Barry Horwitz, vp of planning and research, says, "We are going through the planning process to see where we are strong, where we need to strengthen and where the demographics suggest we should be looking."

Consistent with the chain's 'Vision 2000' store concept, Shopko is directing more of its attention to young women and young mothers. One of the adjustments involves a pricing change to take advantage of higher spending levels by first-time parents. Horwitz says the chain will maintain its entry price points, but will probably move up a notch in the 'best' end of its good, better, best presentation.

Other potential opportunities involve the use of multiple packs to produce bigger ticket sales for freer-spending first-time parents, and more emphasis on classical licenses that appeal to new parents and gift-giving grandparents.

Pamida vice president Frank Washburn says the chain uses existing demographics within its market areas to tailor assortments, but relies less on population projections to anticipate new buying patterns by consumers, and more on the experiences of its buying staff.

"We do react to demographics, but they have to be market specific. It has to be a trend, rather than a fluctuation. Most of the demographic information we see is coming from metropolitan areas and we have to be careful because our markets in rural areas and the upper Midwest are not the same as cities on the East and West Coasts."

A spokesman for the Juvenile Products Manufacturers Association noted that birth rates have been increasing since 1990. But even with these increases in births, there has been fluctuation. In 1990, new births reached 4.2 million, good news for makers of car seats, strollers, high chairs and baby carriers. But during 1991, the increase slowed to about 4 million.

For suppliers tightly focused on one product category, the opportunities that demographic changes in the baby boomer generation represent seem more apparent. At Wamsutta-Pacific, Scott White, director of marketing, pointed out that, "The 35- to 45-year-olds in the baby boomer generation have the buying power, and despite the recession, they will purchase juvenile products for their children."

He describes this consumer group as being less character driven, and more influenced by style and fashion. "With our new Pinocchio ensemble we really went after that senior citizen group that buys it for gifts," he said. White noted recent Bradlees circulars that promoted percale sheets for youngsters was evidence of an overall upgrading by consumers shopping for their children.

Clarence McMerty, executive vp of marketing for Dundee Mills' baby products division, described families with newborns as the company's key target market and reports that spending levels by parents and grandparents has stayed fairly high.

"We have been very successful in packing a comforter, bumper pad and a crib sheet into a set. We have been doing it for the last two years and it has done very well. It makes an ideal starter set for the mother and it is also an ideal gift item," he explained.

At the Bibb Company, Thomas P. McCaffrey, executive vp for sales and marketing, said, 'The whole issue of demographics in juvenile products is interesting, but what drives the business is when the key licenses are available." Although he agrees that classic licenses are much less volatile and more familiar to first-time parents and grandparents, he believes the tremendous advertising programs that support new licenses help inform these newcomers as to what's hot.

Retailers are not convinced that first-time parents in the "boomer" generation are a significant driving force behind sales

Toy Sales

	'90	'91
Infant Toys	$320	$356
Musical Toys	102	94
Blocks/Accessories	25	26
Talking/Sound Toys	51	59
Learning Toys	114	121

Total Infant and Preschool toy sales for 1990 were $992 million, and for 1991 were $1,086 billion.

Source: Toy Manufacturers of America

Juvenile Products

1991 Sales Volume By Category in Millions

Cribs	$300
Child Restraints	240
Infant Restraints	90
Strollers (full size)	200
Strollers (portable)	90
Swingers/Jumpers	112
Walkers	80

Overall sales reflect an 8% increase, with no declines in any category

Source: Juvenile Products Manufacturers Association

Minority Customers To Become a Major Marketing Target

If retailers want any evidence about the importance of ethnic customers, they need look no further than the population projections through the year 2010.

In the first decade of the 21st Century, immigrants will account for 35% of the U.S. population growth, compared to 10% in the 1950s, as the American birth rate declines.

Further illustrating the trend, population growth is projected to slow to an average of 1.4 million a year in the next decade from 1.8 million in the '90s.

Because of changes in U.S. immigration laws, Hispanics and Asians will account for the lion's share of that immigration, rather than Northern Europeans.

But if retailers expect to tap markets for ethnic groups, primarily Hispanic, Asians and blacks, they will have to hone their micro-marketing skills.

For it's a myth that ethnic markets are homogeneous, concluded professor Thelma Snuggs, a Purdue University expert in minority marketing. The black ethnic market includes not only American blacks but also West Indians and Jamaicans, Snuggs said, while the Hispanic market includes Cubans, Mexicans, Puerto Ricans and Central and South Americans.

The Asian market includes Chinese, Japanese, Korean and southeast Asian subgroups such as Vietnamese and Cambodian.

"Micromarketing must be done just as it is done within white populations," Snuggs said.

Retailers need to recognize the cultural differences between ethnic subgroups and the majority population and attempt to reach them through specialized media that appeals to their needs, Snuggs advised.

Hispanics represent the fastest growing ethnic market, with 21 million consumers, or 8% of the U.S. total of 249.9 million, compared to 6% in 1980.

Blacks make up the largest ethnic market, with a population of 31 million, up from 26.7 million in 1980.

Asians constitute 8.6 million potential customers, or 3% of total U.S. population, a gain from 2% in 1980.

In the same decade, the white population declined to 84% of the total from 86%.

To help retailers understand the characteristics of each ethnic market and advise them on marketing strategies, Impact Resources, Columbus, Ohio, in partnership with Deloitte & Touche, New York, conduct annual "Market Opportunities" surveys of the black, Hispanic and Asian markets.

Strategy Research, Miami, prepares an annual market survey entitled "U.S. Hispanic Market."

Here are the highlights of their findings:

Blacks: The black population tends to be more youthful and single, with more than half of all blacks falling in the 18-34 age bracket, compared to 37% of whites. More than half of all black consumers are single heads of households, compared to a third of whites.

The average household income of black consumers is $26,100, compared to $33,100 for white, but 1% of blacks make more than $50,000-a-year.

Only 35% of blacks own their own homes, so do-it-yourself activity is less than in the white population. Fewer blacks own cars, in part, because they tend to live in inner cities.

Hispanic: The Hispanic population also is considerably younger than the U.S. average, with a median age of 37.8 years, compared to 43.3 years for the country as a whole. Almost three quarters fall in the 18 to 44 year old age bracket, and almost half of Hispanic households contain a person under age 18, compared to 31% for the total population.

The average household size is 3.3 persons, compared to 2.7 in the total population.

Median family income averages $28,500, compared to $37,600 for the total population, although income is much higher for Cuban than either Mexican or Puerto Rican consumers.

Asians: Asian-Americans are better educated than the general population, earn higher household incomes and are more likely to hold a professional or managerial job. Families are larger, an average of 3.3 persons per household, compared to 2.7 for the general population.

More Asians rent apartments than own their homes, so spending on do-it-yourself activity is less. But the values of the homes Asians do own are higher than for the general population.

Asians generally are younger than the population as a whole, with an average age of 36.7, compared to 43.3 for the population as a whole. And their rate of separation and divorce is half that of the general population.

Men play a greater role in shopping because cultural traditions call for the eldest male to make major buying decisions, so retailers would do well to cater separately to the male family leader as well as to the female consumer.

U.S. Population Shifts

	1990		1980		1980-1990	
	Pop.	% Distribution	Pop.	% Distribution	Pop.	% Distribution
Total Population	249.9	100%	226.5	100%	23.4	10%
White	210.3	84	194.7	86	15.6	8
Black	31.0	12	26.7	12	4.3	16
Asian or Other Races	8.6	3	5.2	2	3.4	65
Hispanic[1]	21.0	8	14.6	6	6.4	44

[1]Hispanics may be of any race. Source: American Demographics

Z-Mart Taps Ethnic Offerings

MIAMI, Fla. — The experiences of Z-Mart, a black-owned discount store, provides some first hand examples of how to merchandise to a customer base that is predominately black.

Last August, three former Ames/Zayre execs reopened a former Zayre store in Liberty Park, where 70% of the customer base is black and 25% Hispanic. About 65% of its customers are on welfare, said John Kilby, exec vp and coo, so the store attempts keep prices at the lower end.

But blacks also are fashion forward, as well as price conscious, Kilby said. While Z-Mart's checkout merchandise runs to $1 impulse items, the apparel department also carried Easter hats at $30 and $40, along with basic straw hats at $5, Kilby said.

Particularly for church going, black women favor dressy dresses and accessorize them more than do white customers with, say, fine jewelry, such as 14K gold and pearls, and dress shoes at a $30 price point. Fine jewelry presents a merchandising niche that Z-Mart plans to seize, he said.

At Eastertime, Z-Mart escalated its offerings of boys' suits, girl's and women's dresses and hats, Kilby said. But it was able to bring in merchandise about a week later than normal, because its black customer base tends to buy closer to the actual holiday.

Z-Mart tends to merchandise brighter colored apparel that appeals to its mostly minority customer base.

Because of money concerns, Z-Mart's low income customers tend to buy their Christmas toys, such as black dolls, closer to Dec. 25. "Holiday selling seasons are about a week shorter," Kilby said.

Z-Mart has to order, and reorder larger sizes, such as size 13 in men's shoes and plus sizes 22 and 24 in dresses, he said.

In poster art, Z-Mart makes sure it has an ethnic theme, such as Martin Luther King Jr. at Christmas. In music, Z-Mart puts more emphasis on gospel music and spirituals, Kilby said.

Blacks spend about 30% more on hair care products such as the Posner brand of ethnic hair products, than whites, Kilby said. The store also stocks cosmetics in the darker shades that better suit black and Hispanic women.

To reach its customer base, Z-Mart relies on radio, as well as ads in the *Miami Times*, a black-owned newspaper.

And Z-Mart participates in community festivals and holiday celebrations by operating booths that sell merchandise for added revenue.

To provide more service, Z-Mart opened a leased pharmacy, and also plans leased optical and beauty shops.

MERCHANDISING THROUGH THE AGES: 25-44

Discounters Shouldn't Pass Up Opportunities In the Singles Market

***Singles are** more interested in labels than married people, but discounted designer names, like these at T.J. Maxx, are a real draw.*

By Harvey D. Braun
Special to DSN

Large numbers of American consumers are "buying for one" when they go shopping.

In a recent Impact Resources survey conducted for Deloitte & Touche of 86,000 shoppers across the United States, more than 43% indicated they are single. Of these, 25% fall into the category we typically think of when we hear the term "single,"—the younger, never-married person. But added to this group are the divorced and separated, 10.7% of the population, and the widowed, 7.6%.

In total, more than 49 million people over 25 years of age living in the United States fall into one of these three categories of "singles." According to *American Demographics* (April, 1992), the single population grew 85% between 1970 and 1990, while the married population grew only 19% during the same period. The number of divorced singles aged 25 to 44 rose from 1.8 million in 1970 to 8.1 million in 1990.

Single parents, who numbered 3.8 million in 1970, 13% of the total population, number 10.1 million in 1991, or 29% of the total, according to the U.S. Bureau of the Census.

Because no single definition fits all singles, retailers cannot use one marketing plan or merchandising strategy to target them.

As you might expect, the majority of the never-married group is young. Almost 80% of them are between 18 and 34 years old. One in five is a full-time student. Those who work are likely clustered at the lower ends of the income scale. Close to 60% earn between $10,000 and $39,999, with their average annual household income just topping $28,000.

Despite their relatively low income, however, singles are not afraid to spend. Perhaps because their overall living expenses are also lower, singles are less interested in price when shopping for shoes and clothes—both dress and casual—than the average consumer. Singles also show less interest in quality and service. Selection is their prime concern, whereas in the survey's total consumer group, price is the prime motivator. Singles also have a stronger preference for familiar labels and are far more interested in the newest trends and styles.

Single consumers are much more likely than the average consumer to shop specialty apparel stores for dress and casual clothes, for both men and women. Their No. 1 source for such clothing, however, is the traditional department store. The discount store runs a slow third among singles purchasing both shoes and clothing.

Considering their economic status, one would think the discount store would be more popular with singles than it is. It's not that singles don't shop discounters at all. The survey shows that they are more likely to shop discounters than traditional department stores for TVs, VCRs, and stereo equipment. Perhaps the discounter has to find ways of getting the single shopper to other areas of the store.

It would be worth it to discounters to try. When asked what purchase intentions they had for the next year, singles outpaced the average consumer in every merchandise category. They have much stronger intentions than the general buying population to purchase a home computer, jewelry, watches, stereo equipment, TV and VCR.

How does the discount retailer market to a group that largely shops elsewhere? The first step is to learn more about them.

In terms of media habits, singles are more likely than the average consumer to watch cable television, particularly Cinemax, ESPN, HBO, and MTV. They are less likely to watch CNN. As for radio, singles listen an average of 30 minutes a day more than the average consumer. Few seem to even know they can dial in AM, as most listen to FM stations almost exclusively.

Singles spend less time than other consumers reading the newspaper, and when they do they turn to the local news, entertainment, and comics sections. About one in five singles reads most or all of the ad circulars, compared to about one in four average consumers.

Singles are far more likely than the average consumer to play sports and to exercise, ski, and attend concerts. They are into photography at a greater rate, and go to night clubs and amusement parks more frequently. And singles are more likely to have CD players, home computers, telephone answering machines, and cellular phones.

Just because they're not buying housewares, that doesn't mean there's little in the discount store for single consumers. Discounters sell much of what they buy and have a great opportunity to sell it to them.

When asked what purchase intentions they had for the next year, singles outpaced the average consumer in every merchandise category

Harvey D. Braun is a national partner and co-chairman of the TRADE/Retail & Distribution Services Group of Deloitte & Touche, the Big Six accounting and auditing, tax, and management consulting firm.

How Singles Differ From Total Population

	Singles	Total Population
Between Ages 25-34	34.6%	24.2%
White	66.2%	74.4%
Black	17.6%	12.3%
Shop Specialty Apparel Store for Men's Wear	12.3%	7.8%
Shop Traditional Dept. Store For Men's Wear	15.5%	18.0%
Shop Discount Store for Men's	6.1%	10.8%
Shop Specialty Store For Women's Casual Wear	10.9%	6.8%
Shop Traditional Dept. Store For Women's Casual Wear	11.3%	16.2%
Shop Discount Store for Women's	3.3%	7.8%

Source: Impact Resources/Deloitte & Touche

MERCHANDISING THROUGH THE AGES: 45-64

'Women over 45 have more expendable income than when they are in their 20s and 30s, but aside from that, their purchasing habits have hardly changed.'

—David Weiss, Packaged Facts

Affluent Middle-Agers Challenge Retailers' Merchandising Skills

By Arthur Markowitz

The lack of a defining name for Americans aged 45 to 64 years old points to both the amorphous nature of this demographic category, which comprises the nation's most affluent group of shoppers, and the challenge retailers face merchandising to them.

This group's clout in population numbers and economic power is clear: the 1990 census counted 46.851 million Americans aged 45 to 64 years old, or 18.7% of the total population, while the average household income was $44,700.

The marketing challenge facing retailers is evident in the sharp diversity of the group's makeup. Compounding this is that these middle-aged Americans have already bought most, if not all necessities, and much of the impulse merchandise that is a first-time purchase for teen-agers, young marrieds and baby boomers.

Getting a marketing fix on middle-aged Americans is vital to retailers because this group will show the strongest growth in population through the 1990s due to the improved health and aging of baby boomers, boosting the number of 45- to 54-year-olds (young middle-agers) and the greater longevity of 55- to 64-years-olds (mature middle-agers).

The number of young middle-agers, about 25.5 million Americans, is expected to increase by about a third through the '90s. Consumers in this category are in the prime of their life, at the peak of their earning abilities and health, ready to purchase innovative products for themselves, their children and their homes.

The number of mature middle-agers, about 21.3 million Americans, is also seen as growing by about a third through the decade as the lifespan of young middle-agers increases. Economically, this group will include many consumers who have paid off mortgages and therefore have the financial resources and (in the case of retirees) time to shop—

(Continued on page 107)

MERCHANDISING THROUGH THE AGES: 45-64

Mid-Lifers a Sales Challenge

Population Analysis of Mature Adults

Percent of Group's Total Population

Age Category	Asian-American	Blacks	Hispanic	White	Total U.S.
45-54	11.7	11.2	11.8	13.7	13.5
55-64	6.3	7.3	8.3	13.1	11.9

Source: 1990 Deloite & Touche/Impact Resources

Middle-aged Americans fall into two distinct groups, with important implications for retailers. White consumers in the 45 to 64 demographic range account for a greater proportion of the overall white population than do members of this age category for the nation's three largest minority groups, Asian-Americans, Blacks and Hispanics. Marketing to the graying population, therefore, to be most effective, should be directed to white consumers, who overall tend to be more affluent than minority shoppers. In marketing to minority consumers, the primary target shouldn't be middle-aged Americans, but rather younger shoppers, especially in the 25 to 34 age category which accounts for the greatest number of people in each of the three minority groups.

(Continued from page 104)
if not for themselves then for children and grandchildren.

Manufacturers quickly recognized the opportunities created by the lifestyle of middle-agers. In apparel this meant a slacks-look, rather than jeans for leisurewear pants for men, with the garments loose and more flexible for mature male figures. Classic, conservative cuts and mix and match garments, rather than short skirts and tight tops and bottoms became the fashion norm for women.

Retailers, however, are hard pressed to develop specific merchandising programs geared to middle-agers that are different from the basic approach they use to sell goods. Rather, a chain's marketing should focus on two factors:

- The continuity of the merchandising attitudes of younger consumers as they enter and then become the middle-age market.
- The need to identify the different demographic components of the middle-agers' category and sell goods that are directed to the specific income and ethnic segments that comprise a store's market.

Women entering the young middle-agers category aren't changing their lifestyles, but "instead, they are maintaining the interests that have sustained them over the past two decades,"said David A. Weiss, president of Packaged Facts. "Attitudinally, this is the youngest group of middle-aged women in American history."

He noted that they are buying what they bought a generation ago, not what the previous young middle-agers bought 10 years ago. "Women over 45 have more expendable income than when they are in their 20s and 30s, but aside from that, their purchasing habits have hardly changed."

However, "older customers [45- to 54-year-olds] spend less for typical key lines of merchandise than do younger customers. They have less need for apparel and accessories than younger customers," according to Marvin J. Rothenberg, head of Marvin J. Rothenberg Inc., a retail consulting firm, as quoted in an *American Demographics* magazine article on baby boomers and their relationship to conventional department stores.

The key traits of mature middle-agers are "acquires," "pro-business," "technically aware" and "believers in the American dream," said Ken Dychtwald, head of Age Wave Inc. They want service, convenience and comfort, and merchandise that improves their quality of life, he added.

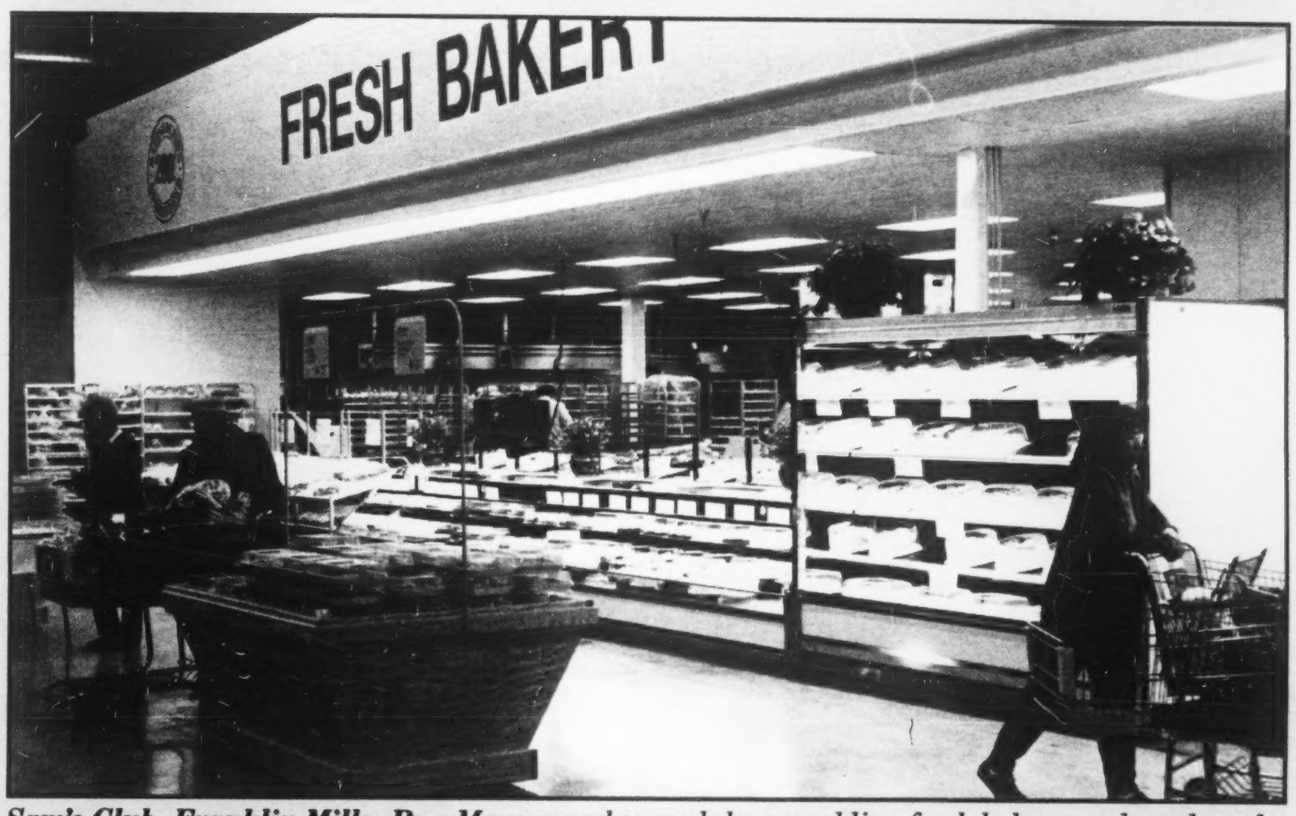
Deloitte & Touche/Impact Resources, in two related studies of the 45- to 64-year-old market, identified the different demographic components of the middle-agers' category and the appeal of various types of retailers.

The MA*RT/USA study noted that discount stores were tapped as a major retailer only for men's casual clothing and children's clothing, while traditional department stores were cited for men's dress and women's dress and casual apparel and children's clothing.

While discounters scored high in all hard goods classifications, the leading retailer usually was a merchant that specialized in that category.

The consultant's *Market Opportunities: Insights Into 45- to 64-Year-Old Consumers' Buying Habits* study observed that "during the next 10 years the ethnic diversity of 45- to 64-year-old consumers will increase, challenging marketers to determine how these consumers will differ from the [mostly white] 45- to 64-year-old consumers of today."

Middle-Aged Clout Fuels Clubs' Rise



Sam's Club, Franklin Mills, Pa.: *Many warehouse clubs are adding fresh bakery and produce departments in an effort to woo more of the affluent professionals who are their core customers.*

The economic power and purchasing interest of consumers in the 45- to 64-year-old category is directly responsible for the success of the membership warehouse industry.

This age group has the highest concentration of affluent consumers who are the natural merchandising targets of wholesale clubs: professionals/managers and dual income households.

The professional/manager group comprises 44% of consumers in the 45- to 54-year-old category and 26% of those in the 55- to 64-year-old category. They are the owners of professional services, restaurants and food service companies and manufacturering plants, and employees of service industries that are the core membership warehouse customers.

Almost half of the households in the 45- to 54-year-old category are dual income households. This segment includes both professionals/managers and blue collar workers who have the shopping knowhow, income and inclination to shop wholesale clubs to save money and time.

A preliminary Food Marketing Institute study showed that about 21% of consumers in the 40- to 49-year-old group shop non-supermarket formats like membership warehouses, with the figure up to 30% for those in the 50-year-old and over category. This mirrors other studies that showed households headed by professionals were more likely to shop at a wholesale club for food merchandise than at any other retailer that sold groceries.

A Deloitte & Touche/Impact Resources MA*RT/USA study noted that among middle age consumers, membership warehouses followed discount stores and specialty retailers as the store shopped for consumer electronics.

The wholesale clubs' success has had two results:

- It spawned the development of office supply superstores, directed to selling office equipment and supplies in a wholesale club format to the same business professionals and managers that shop membership warehouses.
- It resulted in traditional supermarkets, discount stores and other retailers fighting back by selectively selling large institutional sizes and multi-packs, the merchandise featured by wholesale clubs.

Consumers in the 45- to 64-year-old category have seen an expansion of their shopping alternative for both personal and professional goods as a result of the advent of membership warehouses, a marketing format developed for their specific business needs.

Wise Retailers Take Aim At Maturing H&BC Consumers

By Faye Brookman

As baby boomers—the largest and most powerful market segment—continue to age, retailers are scrambling to find services and products that meet their needs.

"Those retailers who target and accommodate the needs of today's older shopper will find themselves at a competitive advantage in the years to come," said Ken Dychtwald, president and ceo of Age Wave, a consulting firm specializing in helping to target the mature market.

This is especially the case in health and beauty aids and related health services. Boomers pressed by a lack of time and money seek convenience and low price.

Discounters lead the way in marketing to 45- to-64-year-olds, a group projected to increase 31% from 1990 to 2000.

As they age, many boomers notice their eyesight isn't what it used to be. Discounters aren't oblivious to this trend. Kmart, Fedco, Venture, ShopKo, Phar-Mor and warehouse clubs like Sam's and Pace have some degree of commitment to optical, according to Marge Axelrad, editorial director for the 20/20 Optical Group.

Recently, Kmart and LensCrafters announced plans for three leased Sight & Save optical departments within Kmart units. The stores offer complete pairs of glasses starting at $39, and feature on-site eye exams with 4-day delivery on glasses.

"There's a great deal of overlap in the customer of Sight & Save and the Kmart customer—mid-America, middle-income, appreciative of value," said LensCrafters president and ceo Dave Browne.

Venture is testing leased optical departments, and Wal-Mart has 70 leased and 60 company-owned optical departments.

ShopKo, Green Bay, Wis.: *Sales in the chain's pharmacy and optical departments have been growing, and now ShopKo's new prototype units also feature a hearing aid center.*

> **'Retailers who target . . . the needs of today's older shopper will find themselves at a competitive advantage in the years to come.'**
>
> **—Ken Dychtwald, President & ceo, Age Wave**

Deep discounter Phar-Mor will open two Vision for Less stores, a venture in conjunction with Eye Care Centers of America. "We see this new relationship as an opportunity to grow our customer base and further respond to customers' demands for value-oriented glasses," stated Robert Lane, president of ECCA.

Mike Snyder, assistant vice president for Fedco, the southern California discount chain, says he's seeing sales gains of 30% in the 400-sq.-ft. units located in select Fedco stores.

Optical sales at ShopKo hit about $40 million, according to 20/20's Annual Report, accrued in the 102 units with eye care. ShopKo also has added a hearing aid center in its newest prototype.

The pharmacy area is also benefitting from changing demographics. Wal-Mart and Kmart both have in excess of 1,400 Rx counters. Almost every ShopKo has a pharmacy, and the company is committed to growing that business.

New merchandise classifications are also emerging.

"We all know the statistics, but it is time to really start looking at what they mean to the business . . . what has to happen to the merchandise mix? What are you doing to market to this customer?" asked Paul Amatangelo, vice president of marketing, the Kendall-Futuro Company.

With products ranging from durable medical equipment to diabetes maintenance items, Kendall works in tandem with retailers to increase the health care mix.

While discounters have shied away from high ticketed at-home test kits such as blood glucose monitors, the future will probably find operators taking a different tack. Mass merchandisers, according to Nielsen Marketing Research, only have a 12% share of the home testing market, meaning there is tremendous potential. Along with self-care goods, discounters are expected to create mini health care areas just off of the pharmacy.

With discounters proving they can sell traditional drug store fare, product classifications once available only in pharmacies are being added into the mix. Reading glasses, for example, are now sold on an endcap at Caldor within the H&BC set. A spokesman for Caldor said they added the glasses after several customers requested them.

Many health and beauty aids also appeal to an aging population. Vitamins, for instance, are growing in popularity in discount stores.

Wal-Mart has a large selection of hair color, confirmed a source with a leading hair color company. In general, discount hair color selection is expanding, observed industry consultant Allan Mottus.

"It used to be drug stores had the greatest selection. Now you see an equal breadth at discounters," he said. Hair color marketers continue to get mileage out of "not getting older, getting better" tactics.

Indeed the female shopper over 45 is a prime target for discounters. According to research from New York-based Packaged Facts, women in the 45 to 64 range are affluent, their number is growing, and they have a high disposable income. The report adds that marketing to this woman presents new rules, since she often is a mother and working wife. Sometimes she is part of the "sandwich generation"—she also takes care of her parents. She wants convenience. Packaged Facts found these customers loyal to brands they trust, but also enticed by brands marketed to their needs.

Skin care has become more important in the mix. Kmart, for example, has kicked off a special body and bath care department anchored by items such as Naturistics, that appeal to a slightly older female customer. Wal-Mart is testing a new Nivea Visage skin care line in its Turnersville, N.J., store and the brand's marketer, Beiersdorf, expects the retailer to be a big account.

Brands like Neutrogena, L'Oreal's Plenitude and Almay are winning greater space in discount units today.

As America continues to mature, the H&BC mix at the discount store will continue to shift. Concluded a cosmetics company president, "I think the discount stores are doing the best at marketing to particular age groups. It will be their strength in the '90s."

Service Makes Office Superstores a Hit With the Mid-Lifers

It's estimated that 30 million Americans *currently operate a business from their home, creating a market for copiers, answering machines, pcs, and fax machines, here for sale at Kmart.*

By Laurie Freeman
Special to DSN

The home office of accountant Kathy Wieland sports a heavy-duty office copier, fax machine, multi-line telephone, answering machine, calculator, and soon, a personal computer. Where does Wieland, age 45-plus, go to replenish her supplies?

"It used to be a small local office supply store," she said. "But now, I stock up at Office Max."

Like many former office workers, Wieland now prefers to set her own hours as an independent consultant, and she has found that office supply superstores meet her particular needs: brands she's familiar with, service, price and one-stop shopping.

And the group of consumers like Wieland is growing. A national outplacement firm in Chicago recently estimated that 20% of its clients are opening up their own businesses instead of looking for work in corporations. Many of these executives are in the 45- to 64-year-old age group, a segment demographers say spends the most on household furnishings and equipment.

It's estimated that more than 30 million Americans operate a full- or part-time business from their homes, and, according to Link Resources, this group is increasing at a rate of 16% annually. By the year 1995, Link Resources estimates that the number of home office workers could exceed 50 million.

Approximately 20% of consumers shopping office product superstores consists of home and home office users, according to Marsha Kaplan, director of research, Merrin Information Services. Small businesses with fewer than 40 employees make up the rest.

Small business owners and one-person consultancies primarily shop the office products superstores segment, as opposed to warehouse clubs, which cater more to larger businesses. Older consumers also tend to shy away from consumer electronics stores, perhaps because of the lack of support products like fax paper. "The whole premise is you're going to be in the office products superstore anyway to buy office supplies or furniture, so it's natural to buy the computer there, too," said Kaplan.

One big difference Kaplan finds between age groups is that older workers tend to be familiar with one specific word processing or spreadsheet program, while younger workers are familiar with a broad range of software packages.

While older consumers prefer office superstores, it seems that they'll shop anywhere that offers good service, including computer superstores like CompUSA and consumer electronics stores who have made a large commitment to the category, like Best Buy, Circuit City and BrandsMart USA.

Having the right customer service representative on the selling floor goes a long way toward making a business consumer feel right at home, retailers say. "A person in the 45-plus age group likes to buy from someone in the 45-plus age group," said Michael Perlman, executive vice president, BrandsMart USA. "We try to have salespeople to fit everybody, in every age group. Our sales force looks like the United Nations."

Today there are so many high-technology equipment options, that customer service is a must for retailers.

"Coaching" customers is a priority at WORKplace, said Jim Nakamura, executive vice president. "They know what they need, but they have to be coached, encouraged, helped into making the right choice." The home office segment is nothing new; that part of the office supply business started more than a decade ago. But today there are so many more equipment options, virtually all involving some form of high-technology, that customer service is a must for retailers.

"On any day, any retailer can beat you on price," Nakamura said. "It's the customer service that sells a machine with the appropriate features and the benefits of that particular machine to help the customer. If customers are truly interested in a machine, they'll welcome talking to someone who knows what he's talking about."

For Perlman of BrandsMart USA, the world of home office retailing can be divided into two types: those who offer service and those who do not.

"The difference can be seen in the numbers of returns made to manufacturers," he said. "Both distribution channels are making sales, but one computer manufacturer told me he was getting 35% returns from warehouse clubs. It makes sense when you think about it—because there's no one knowledgeable to talk about minor problems with customers and explain the high-tech equipment. You get it home and many times, you don't have a clue what to do with it."

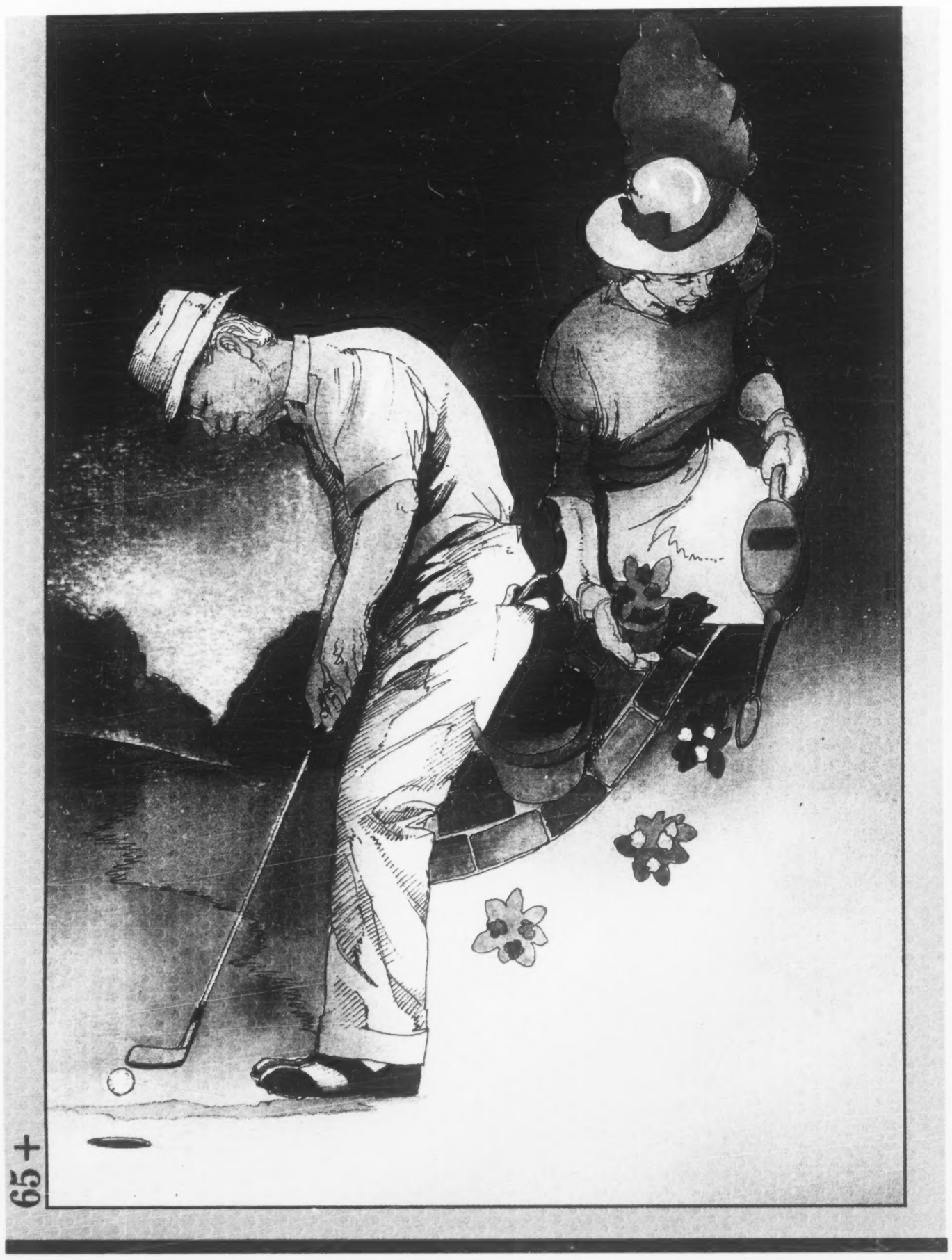
Many warehouse club stores have trouble conveying the right information about equipment like personal copiers. "If you have a home office copier meant to be used 30 to 50 times a month, and a small office is using it about 20 times a day, in about a week they'll be returning it when the thing goes south," he said. "But a customer walks in, sees a machine for $600 and one for $1,000, and they'll take the $600 one, unless someone intervenes to explain why the $1,000 copier is a better buy."

"This business is two things, both short-term and long-term," he continued. "Short-term is making the sale right now, and that's terrific. But then you have a long-term problem. Long-term, I don't think the manufacturers are doing themselves any good by selling through (distribution channels) that don't have salespeople."

BrandsMart, which prides itself on having specialists in specific equipment throughout the store, will do in excess of $24 million in computer sales alone this year, Perlman estimated.

There is one area where office supply superstores are not doing the job: software. "Most of these stores already have a good selection in terms of hardware and accessories," said Merrin's Kaplan. "And they're the ones with the knowledgeable personnel. The only thing these retailers have to work on is their selections of software. I have not seen the range of business software that would make a good selection. What I see more of is entertainment, game-oriented software, but what they need to do is improve their selection and merchandising of the software."

MERCHANDISING THROUGH THE AGES: 65+



Older adults make up a $500 billion market with more discretionary income per capita than any other portion of the population

Discounters Grow Wiser to Seniors' Spending Potential

By Mary Ellen Kelly

While it might take a good deal of effort to attract the 65 and older age group, once a retailer has won over senior citizens, their loyalty—and growth potential—is unmatched.

At a glance, older consumers appear to be hardly worth the effort: The American Association of Retired Persons (AARP) reported that when they feel they are wronged, these consumers are more likely to complain; they need special attention; they take more time to browse before they make a purchase and they take umbrage when you change the store layout or if you stop offering discounts to them that were once available.

And, superficially, they do not appear to have much to spend at a store anyway. At the end of 1990, the AARP reported 49% of consumers 65 and older have annual household incomes of less than $20,000, compared to 22% of those under 65.

The median income for consumers under age 65 is $31,500, while the median income for those 65 and older is $16,900. So where is the incentive to actively pursue this seemingly very low-income group?

The 65-plus group is not only the fastest growing market segment. Unlike any other age group, seniors have time to shop *and* money to spend. Older adults have gone from being a negligible consumer group to a $500 billion market with more discretionary income per capita than any other portion of the population, according to the Conference Board.

The household income figures for seniors appear low, at a glance but, unlike most of the population, this income

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Senior Citizens' Market Potential Grows

(Continued from page 113)
level is more often generated by a single individual. But, more importantly, twice as many of their household dollars are open for discretionary spending as for persons aged 25 to 35, according to Dr. George Moschis, director of the Center for Mature Consumer Studies in Atlanta.

Moschis is quick to add that poverty is still a problem for the elderly, but is at about the same level as for all other age groups as a whole.

In the years ahead, the older consumer is projected to grow not only in number, but in affluence.

Consumers aged 65 or older are estimated to be 12.6% of the total population, according to the 1990 Bureau of the Census Projections, but will climb to 22.9% by the year 2030.

Beginning to build a reputation of your store as the place to buy products for the elderly will not only lay the foundation for purchases by those 65 and older, but will also educate the *caregivers* of the elderly on where they buy supplies.

The number of working age people with an elderly dependents will also climb in the years ahead—to nearly four out of ten households—making caregivers to this age group a potential secondary consumer of merchandise geared toward the aged.

The wallets of those aged 65 and older will be thicker in the years ahead. *American Demographics* reports in its April issue ". . .as women with more work experience reach retirement age, many older households will become two-pension families. Even households headed by single women should be better prepared financially than they are today."

For the retailer that has decided to pursue the 65-plus age group, Dr. Moschis at the CMCS advised that retailers rethink senior discount strategies. "Senior discounts have been overused because it is the easiest strategy for retailers to use, but because so many retailers use it, the effectiveness has been diminished."

Special services and sensitivity training are the avenues Moschis believes would be more effective, even for discounters. The 65-plus age group are less likely to change their shopping habits once formed, so it is important to institute some sort of "Welcome Wagon" program for seniors, Moschis advised. "Once the retailer has made them feel comfortable in a particular environment, they are unlikely to change."

The AARP found that "Older consumers appear to be more trusting that businesses treat consumers fairly. The younger consumers are more likely than their older counterparts to believe that businesses attempt to mislead consumers and that they, themselves, are often actually misled." For instance, more than one out of five consumers 65 and older said they were "very trusting of salespeople" while about one out of 10 under 65 felt the same. Similarly, 22% of those 65 and older said businesses never attempt to mislead consumers while only 7% of the rest of those surveyed felt they were never misled.

Dependency Ratios of Elderly as a Percent of the Working Age Population (Age 16 to 64)

1950	13%
1960	16
1970	16
1980	18
1990[1]	19
2000[2]	21
2020[2]	29
2030[2]	38

[1]Estimate
[2]1990 Bureau of the Census Projections
Source: First Chicago

In the years ahead, the older consumer is projected to grow not only in number, but in affluence

Senior Citizens: An Untapped Niche

Apparel, prescription drugs, home health care, home security, health & beauty care, craft & hobbies and lawn & garden are among the departments where retailers could be missing potential sales dollars from the older consumer of today and the future. Here are the facts:

- People aged 65 or older are the largest consumers of drugs and medical supplies. In 1988, the average person 65 and older spent nearly $400 on drugs and close to $100 on medical supplies, roughly twice the national average, according to *American Demographics*.
- $2 billion or 14% of all toy dollars in 1991 were spent by grandparents. The highest concentration of purchases were among ride-on toys with 22% bought by grandparents, and video games the lowest at 7%, according to Ed Roth, analyst with NPD Research, Port Washington, N.Y. "Grandparents are less likely to buy technical toys, but will choose instead more traditional toys."
- Bruce Butterfield, research director of the National Gardening Association, Burlington, Vt., said retirees made 15% of all lawn & garden retail purchases last year, responsible for $3.1 billion in lawn & garden sales. Average purchases per household totaled $248.

Terry Thogode, divisional merchandise manager, H&BC at Jamesway, said the company recognizes that the population is aging and the requirements of these consumers need to be addressed.

In response, Jamesway is testing a new 12-ft. section of specialty goods for the older and/or disabled consumer, and Fisher's Big Wheel is testing goods from the same supplier. According to Thogode, "The only other place these items are available to customers are in specialty shops and medical supply stores."

While Thogode acknowledged that these goods are not expected to be fast turning, she said, "we have a responsibility to the community."

The test stores are the two new units opened earlier this quarter in Jamesway's latest prototype in Delaware. Early information indicates magnifying glasses have been one of the best sellers. The products include items like tub bars and clamps and canes. Prices range from $3.49 to $16.99.

"We've been picking up customers other than the elderly . . .Tub bars and clamps—those are real safety gadgets, not just for older shoppers. Those items sell to a 35 and 40 year old customer."

The merchandise, supplied by Cane & Able, Edison, N.J., could be expanded to include other products, Thogode said. "Other areas that I could see fitting into this mode is in personal care. Items like massagers, blood pressure monitors, footbaths, stationery bicycles and treadmills could lend themselves to this category."

A spokesperson for Cane & Able noted that "The 60-plus market is 150% larger than the teen market and will double by the year 2,000, becoming almost 20% of the population."

While the entire H&BC area including incontinence products, pharmacy, and items like those from Cane & Able can be clearly identified as one which older people would need, other categories, like apparel, are more easily overlooked.

Many discounters have become so driven by the younger, highly fashion-conscious age segment, that clothing for senior citizens is almost entirely absent from certain stores.

One example was at the grand opening of a Target store in Northern Minnesota where as, one customer put it, "Just because I'm old doesn't mean I want to dress old!" She had found that many of the stereotypically "younger" styles were not available in her size, and that the clothing which would fit her, were too bleak for her youthful fashion sense.

Thomas & Partners Co., Mature Market Specialists, said their studies indicated that "When it comes to fashion, 96% of the respondents felt the industry completely ignores the changing needs of the older woman," adding that "Levi's with its relaxed jeans comes closest to meeting the needs."

If a retailer has stores in a community where there are older homeowners, stocking and promoting more garage door openers, attic fans and home security products are likely to build sales since the Center for Mature Consumer Studies (CMCS) said these are among the products older homeowners are more likely to own than younger consumers.

The research further suggests that the best way to advertise to the older consumer in through circulars and ROP. "Print media are twice as effective as broadcast media in keeping older people informed about new products on the market," according to CMCS.

A Viable Consumer: Seniors Fill In The Gray Areas in Crafts

Kmart, Levittown, N.Y., has begun to emphasize the yarn & crafts department as a growth area. (DSN photo)

The precious commodities of discretionary dollars—and minutes—are most abundant with the 65 and older crowd and the craft & yarn business is a key way for senior citizens to spend both while creating gifts for grandchildren at the same time.

Craft, yarn & hobby were estimated to be a $6.8 billion industry in 1991, up from $6.5 billion in 1990, according to the trade association, Hobby Industries of America (HIA). The latest demographic data indicates that roughly one out of five women aged 65 who were involved in craft projects chose needlecrafts.

In fact, the older age segment was among the most active age groups in needlecrafts but were least involved in home decor crafts like stenciling, or wearable arts like fabric paint. In other words, the older consumer could help the craft & yarn industry build up sales in the areas which have experienced sluggish growth in recent years.

Retailers and manufacturers of craft yarn and other hobby supplies describe the the older woman as one of the important building blocks in their marketing efforts, for good reason: In craft yarn alone, the 65 and over age group represented nearly 30% of total sales in 1991, according to the Market Research Corporation of America (MRCA) Consumer Diary Panel, with roughly the same percentage of those aged 51 to 64 yarn consumers. The remaining 40 percent was divided equally between persons aged 35 to 50 and those under 35 years of age.

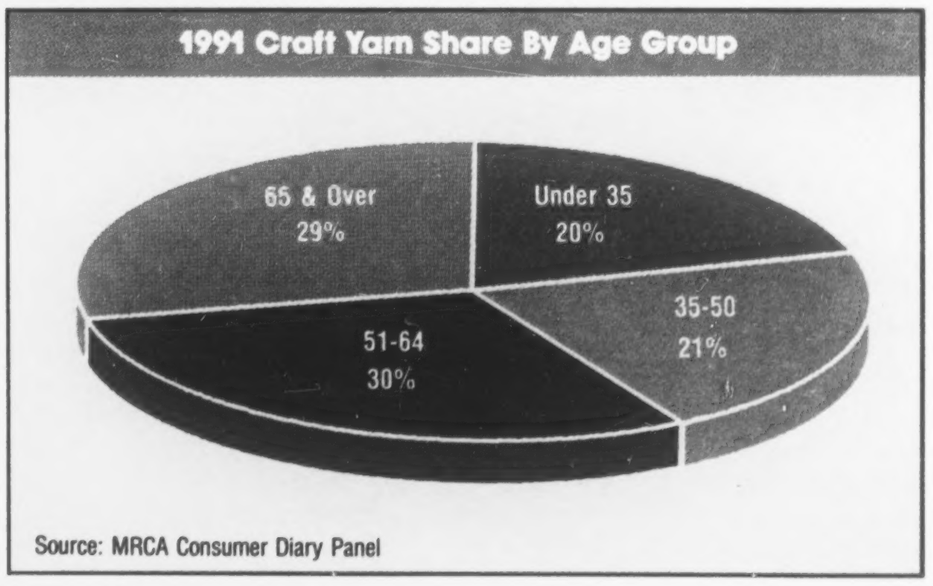
The older panelists also bought more skeins, on average, than younger ones. While the 20- to 34 year-old group bought an average of 1.5 skeins per capita, an average of 4.2 skeins per person were bought by those 65 and over.

The yarn and crafts industry feels that older women are the building blocks of their marketing efforts

Further indication of senior citizen involvement and interest in hobbies & crafts was evidenced by its popularity at the "Time of Your Life" Expo, a convention held in California to learn more about the leisure time activities of the 50-plus age group. During the convention, thousands of consumers are exposed to numerous manufacturer, retailer and services booths. Afterwards, a survey group of 1,000 is interviewed to rank the most popular or useful information gathered.

Hobbies and crafts tied for third place with health and medical products as the most popular areas of interest among the consumers. Roughly half said they were most interested in hobbies & crafts, surpassed only by travel (63%) and food and nutrition (61%).

Specialty chains like Michaels and Leewards, which describe the 65-plus age group as a "sizeable" portion of their business, have also found that this age group comprises a substantial portion of their craft classes. "They participate very heavily in classes," noted Jack Bush, president of Michaels. "The thing that impressed me is their interest in art like watercolors, pastels and oils," he added, noting that these activities are especially time-intensive.



Tom Sigerstad, vice president, marketing with Michaels, said that nearly 20% of the chain's shoppers are aged 55 or older.

Much of the involvement in crafts and hobbies by senior citizens stems from their wish to be involved in the lives of their grandchildren by making homemade gifts and in sharing common pastimes. Marian Salzman, president, BKG Youth, a marketing firm, noted, "Grandparents have a bigger role in their grandchildren's weekend lives than in past generations. We feel strongly that stores should be doing more in-store promotions directed to grandparents with grandkids."

The interest in creating gifts for grandchildren shapes the type of projects yarn manufacturers provide in conjunction with their products.

At New York-based Lion Brand Yarn, for instance, Jack Blumenthal in sales, noted that the company's Jiffy basic yarn depicts a grandmotherly woman on the label. "Many of the patterns supplied on the yarn bands are geared toward the older consumer. The older woman frequently undertakes afghans and other projects to give as gifts to her grandchildren."

While many older women are able to knit and crochet into their old age, others are sometimes beset with arthritis or other problems that restrict their ability to undertake fine work like cross-stitch and other needlework.

Jan Kahn, vice president, sales and marketing with Caron International, Rochelle, Ill., said projects created by Caron in conjunction with other members of the Craft Yarn Council of America, help senior citizens who may no longer have the dexterity to knit and crochet, still create home decor items with yarn.

Wal-Mart Taps Popular Mechanics Name

(Continued from page 5)
tool line to be on all stores' shelves by July or August. And it will take at least a year, and possibly two, to phase in that entire range of hardware products permitted under its Popular Mechanics licensing agreement. The chain has alerted store managers that Popular Mechanics products are coming soon.

As with the Promark brand, the Popular Mechanics brand of hand tools will offer a lifetime guarantee, much as Sears does with its Craftsman hand tools. No information is readily available about price levels for the Popular Mechanics hand tools, but the Promark brand sells for about half the price of comparable Craftsman tools.

Wal-Mart declined to comment about its Popular Mechanics program.

The Popular Mechanics PL program joins two other private labels Wal-Mart has launched over the past two years, Equate, now offering about 52 skus of health and beauty care products, such as non-aspirin painkiller and Sam's American Choice, a line of 21 food products, including cola, cranberry drink and chocolate chip cookies it introduced last November.

In March 1991, Wal-Mart began carrying *Popular Mechanics*, the bible for a serious home, shop and auto repairman, at its checkouts. It discounts the magazine 15% to 20% from its newsstand price of $1.95. So far, Wal-Mart has made no decision about advertising its new Popular Mechanics line in the magazine, said an advertising source there, although it did advertise other products in the April issue.

The Popular Mechanics deal marks the second licensing agreement Wal-Mart has signed with a Hearst magazine. Some two years ago, the chain licensed the *Sports Afield* name for a line of about 100 skus of sporting goods, such as camouflage hunting suits and boot socks.

In order to protect its image, *Popular Mechanics* is requiring Wal-Mart to submit for testing in its independent lab all products that will bear the Popular Mechanics name. Popular Mechanics already has tested hundreds of products, editor-in-chief Joe Oldham said.

It tested the handtools against Craftsmen and found them equal to or better, he said. It also tested other supplies, such as toilet actuator parts, and concluded that they performed properly for the intended use, even though no brand name parts were available for comparison.

Examples of products that will come in Popular Mechanics packaging are the 75 skus of electrical switches, plugs, outlets, and connectors from Leviton, Little Neck, N.Y. Wal-Mart already carries the line under the Leviton brand name.

Leviton will repackage the identical items, which will continue to carry just the Leviton brand name, in Popular Mechanics packages, said Karen Blumberg, a marketing specialist for the company.

The pricing hasn't changed, she said, and Leviton must start shipping by Aug. 1.

With a circulation of 1.64 million, *Popular Mechanics* boasts of the largest circulation of any men's service magazine in the home, shop and auto field, said David Graff, licensing director for Hearst magazines.

Founded in 1902, *Popular Mechanics* enjoys high name recognition, Graff said.

By licensing the name, Wal-Mart-Mart is "instantly acquiring a trademark that has believability and trust," he said.

In a recent Goldman Sachs research report, analyst George Strachan concluded that "Wal-Mart is increasingly breaking from a history of almost exclusive commitment to national-brand products, expanding and improving its private-label offerings, positioning them with greater clarity and consistency, and marketing them more aggressively than ever before."

The new Wal-Mart products are premium controlled products, Strachan noted, and its Equate products "are handily outselling their national-brand equivalents in the stores."

Other Wal-Mart private label products include Ol' Roy dog foods, named after Sam Walton's favorite hunting dog, and Special Kitty cat foods.

Wal-Mart also offers American's Choice, a made in the U.S. recycled motor oil that sells for about 83 cents a quart; Fisherman's Choice fishing tackle, sourced from Korea, Japan and Taiwan; and Sportsman's Choice rain suits, ponchos and wadders, sourced from Thailand.

Under the Wal-Mart brand name, the chain also offers 18 products, including: paint (in about 200 stores), motor oil, filters, paper towels and charcoal lighter fluid.

Rather than take the higher margins from private label products as profits, Wal-Mart instead will use them to, in effect, subsidize the prices of nationally branded products, Strachan predicted, enhancing its reputation for selling quality products at the lowest price.

By mid-decade, Wal-Mart's private label hard lines and food products could produce $2.6 billion in sales, Strachan predicted, compared to an estimated $825 million this year.

The dozen or so hand tools in the discontinued Promark line were mostly sourced from Taiwan, Strachan noted. The Sam's American Choice products were priced an average of 25.8% below comparable national brands, while the Equate products enjoyed an average price advantage of 47.1% under national brands.

The Sam's American Choice products are either superior to the products they replace or offer unique features, said Bernard Sosnick, retail analyst for Oppenheimer & Co., New York. The Equate H&BC products are equal in quality to national brands, he added.

IMRA Conducts Benefits Survey

WASHINGTON — Many "standard" benefits, such as long-term disability insurance and paid dental insurance, are far from standard within retail companies, indicates the 1991-92 Executive Perquisite Report, a survey that the International Mass Retail Association conducts every two years.

Discounts on merchandise prove to be the most popular and most consistent across-the-board perquisite that discounters offer executives from chief executive officers and presidents down to assistant store managers.

About 90% of 12 levels of management get discounts, the benefits study found.

At the opposite end of the scale, none of those surveyed offer sabbaticals with pay to any level of management.

Discounters tend to treat their headquarters executives more generously, however, on some standard benefits than they treat their merchandising, field and store executives well, the survey results indicate.

For instance, 85.4% provide long-term disability insurance for their ceos and presidents, compared to 70.7% for top merchandise execs, 75.6% of top regional managers and 75.6% of store managers.

On the other hand, the gap between headquarters and merchandising, field and store execs and narrows—but still varies—for those who offer profit sharing as a benefit. Of those surveyed, 36.6% offer it to ceos, 34.1% to buyers, 29.9% to field managers and 31.7% to store managers.

As could be expected, ceos and presidents get the edge on perquisites usually identified with the corner office, such as a company car for personal use and a reserved apartment or condo for travel to key cities.

Even within the four levels of headquarters management, benefits also vary substantially, the study finds.

In optical, for example, 29.3% offer it to ceos and presidents, 22% to level II officials, and 12.2% to senior management, level III, and general management, level IV.

Of total IMRA membership, 36% responded to the latest survey, which covers 57 perquisites and benefits discounters could offer to four categories of executives: home office, merchandising, field and store.

The 57 categories range from such standard benefits as health insurance to deferred pay and child care assistance.

The survey fails to define the various levels of headquarters management below the ceo and president level. Nor does it disclose the actual number of discounters that participated in the survey.

IMRA members are entitled to receive one free copy and may purchase additional copies for $45, plus $3.50 postage and handling. The cost to non-members in $85. Call IMRA at (202) 861-0774.

Leewards Seeks Payment Deferral

(Continued from page 8)
chain expects to reduce its working capital requirements by reducing inventory levels by $9.3 million during the remainder of the year. Leewards will attempt to defer payments of its rents and renegotiate some of its leases.

Popple, who has called the cost-cutting agenda, 'The Slim Fast Plan," has cut his own salary by 20% and two other members of senior management will have similar wage cuts. The board of directors has authorized salary reductions for all employees earning more than $40,000 per year. Employee benefits have also been modified and are expected to result in $600,000 in annual savings.

Unaudited 1991 sales were $158.5 million, up from $130.9 million in 1990. Operating profits declined to $3.9 million from $4.4 million. A net loss of $1.2 million compares with a net profit of $27,000 in fiscal 1990.

Rose's Posts Profit in 4Q

(Continued from page 1)
ports for the past two years, resulting in year-end operating profits for 1991 of $15.4 million—a far cry from an operating loss of $12 million the previous year.

Operating profits in the fourth quarter of 1991—which enabled the company to report a profit for the year—surged to $25.7 million, from a loss of $6.4 million in 1990.

But the financial reports must be footnoted with several important credits and charges influenced by changes in LIFO accounting and planned store closings for 1992.

The profit figures for 1991 were greatly impacted by what Rose's was calling "an internally generated inflation index" for calculating the LIFO charge. The LIFO effectively credited $10.3 million to the year-end figure—while LIFO charges last year reduced operating profits by $11.6 million. For the fourth quarter, 1991 was credited with $17.5 million compared to a charge of $5.9 million in 1990.

Both 1991 and 1990 fourth quarter operating profits were similarly charged with store closing expenses. Fourth quarter operating profits of $33.9 million include the planned cost of closing 15 stores ($24.9 million) and remerchandising all remaining stores ($9 million). Fourth quarter profits for 1990 had also been charged for proposed store closings ($35.4 million).

The financial performance is expected to continue to improve as vendors—hearing word of the bank agreement—ease any shipping restrictions and enable the stores to be fully stocked.

The agreement with Rose's short-term lenders will provide up to $69.4 million during the year ending May 31, 1993, and a peak facility of $57.4 million during the following year. A $51 million line of credit will be "automatically renewed for an additional year providing the company meets its business plan."

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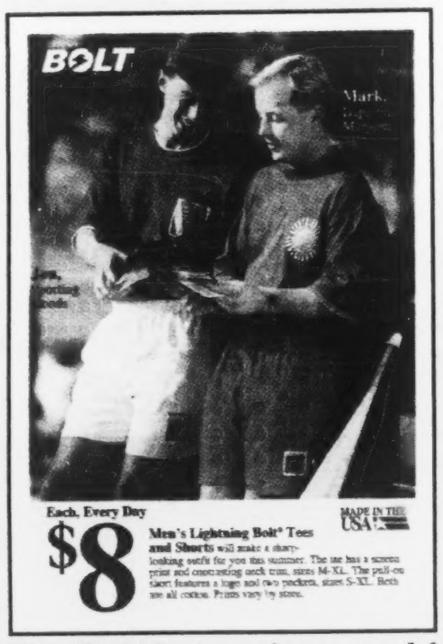
Wal-Mart Refines Ad Program

Lets Associates Star In TV Commercials

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has extended to its TV commercials its use of store employees and their families as models in ads, a promotional effort underway in monthly circulars since last fall.

Bill Fields, executive vice president, merchandise and sales, told security analysts at a recent meeting that the circular program "had a major positive impact on customers who would see associates that they knew in the stores appearing in the circulars. We have received many letters from customers telling us that it is a terrific idea. Of course, the associates are extremely pleased with this program."



***Two Wal-Mart** employees model men's wear in its circular.*

Use of employees and their families is part of the chain's ongoing refinement of its ad program, begun three years ago when Paul V. Higham, who had been at Target, joined the discounter as vp, marketing and sales promotion.

That effort now includes a new, cleaner, uncluttered look for circulars and greater use of national television as the discounter enters its next growth stage as a coast-to-coast chain. At the present time, there are only a

(Continued on page 19)

Plays Up California Growth in Circular

BENTONVILLE, Ark. — Wal-Mart played up its growing presence in California—it entered the state in 1990—by using employees or members of their families from eight of its 23 stores there as models in its April circular.

The discounter plans to open more new stores in California this year than in any other state, execs told security analysts in a recent meeting. About 50 Wal-Marts are planned for '92, with about 300 stores the goal there by '94.

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IMRA Show Illustrates Vitality of Discounting

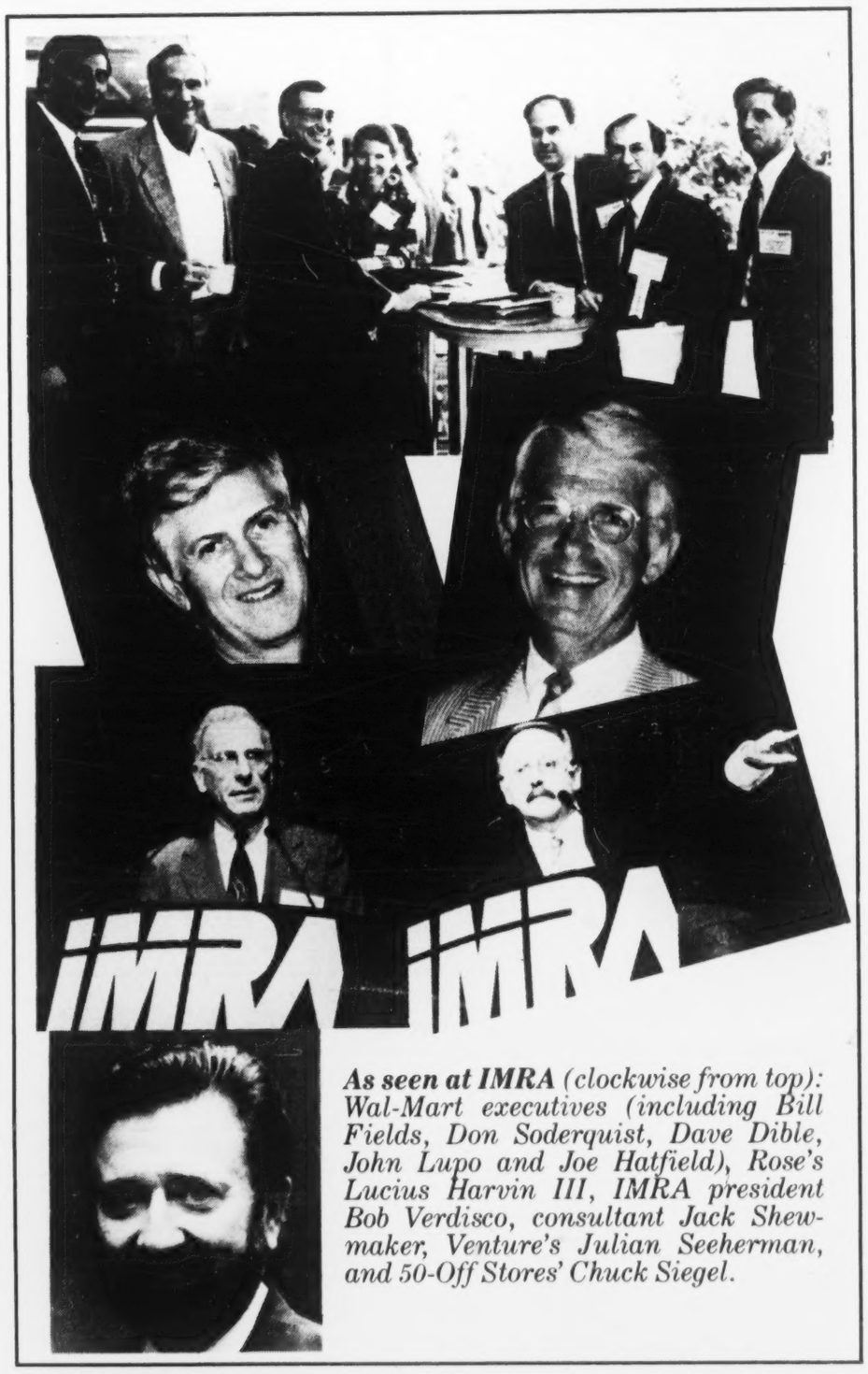
ORLANDO — The $170 billion mass retail industry has led the economy's recovery, according to President George Bush who spoke to the more than 2,000 retailers, manufacturers and associated industry guests at the annual convention of the International Mass Retail Association here May 19.

Bush, who appeared via a video hook-up at the end of the four-day convention, introduced guest speaker General Norman Schwarzkopf, who gave a rousing speech on leadership skills.

Highlights of the convention included:

- The release of a new study on consumer buying behavior that found, among other things, that personal responsibilities have more influence over a consumer's shopping behavior than his or her gender;
- Partnership is still an important goal of the retailer/vendor relationship, but industry execs are widely split on the degree to which their counterparts are truly committed to such a relationship;
- Micromarketing, i.e., adapting individual stores to meet shoppers' specific needs, is gaining currency as the "cookie-cutter" approach to merchandising becomes outmoded;
- Interest, and concern, over retailers' extended use of private labels, at the expense of facings for national brands.

(Continued on page 45)



***As seen at IMRA** (clockwise from top): Wal-Mart executives (including Bill Fields, Don Soderquist, Dave Dible, John Lupo and Joe Hatfield), Rose's Lucius Harvin III, IMRA president Bob Verdisco, consultant Jack Shewmaker, Venture's Julian Seeherman, and 50-Off Stores' Chuck Siegel.*

New Products Create Excitement at CES

By Pete Hisey

CHICAGO — While controversy swirls over the first appearance of actual consumers (up to 100,000 of them) at the Consumer Electronics Show, the real news is that the show will also feature the most dramatic series of major product introductions in several years.

The most eagerly awaited will be Apple's Newton, reportedly a lightweight, pen-based notebook computer that will retail at under $1,000. Apple, showing for the first time here, has repositioned its products as consumer electronics, not computers, and refers to the Newton as a "personal digital assistant."

But Apple, the most visible of a large crop of new computer exhibitors, will not be alone in making major introductions.

Acros, the retail division of Acer Computers, will show a new multimedia "personal activity center" that combines CD-ROM, a telephone/TAD feature, AM/FM tuner, alarm clock, fax and several other functions into one compact unit that will sell for under $2,500.

"The 380 will replace a whole desktop of machinery; fax machine, telephone, radio, and CD-ROM for the cost of a single computer," noted Acros vp, sales and marketing, Pete Janssen. The 380 joins a completely revamped series of 386 and 486 computers due to be introduced here.

Buyers will get their first look at production models of DCC (Digital Compact Cassette), and possibly Sony's Mini Disc, as the two digital formats prepare for a pre-Christmas war.

(Continued on page 46)

Retailers Lei Down Plans for Expansion Into Hawaii

By Arthur Markowitz

HONOLULU — Costco Wholesale has filed suit against the developer of a massive shopping center which has rejected the company as the project's anchor in favor of Sam's Club.

The 170,000-sq.-ft. Sam's Club, which is due to start operating when the Hawaii Power Center opens in the fall of 1993, will be the first store of any kind unveiled by Wal-Mart in the islands. Costco and Toys 'R' Us already have stores in Honolulu and Kmart planned to open its initial island discount stores later this year or in early 1993.

(Costco last month issued a prospectus for $200 million worth of 5.75% convertible subordinated debentures due 2002 and convertible into common stock at $41.25 a share. It expects to net about $197.3 million from the offer. Costco plans to use the funds for its expansion program, general corporate purposes and reduction of existing debt, the prospectus said.)

Costco had signed a letter of intent in July 1991 to lease space that would have made it the 170,000-sq.-ft. anchor in the 420,000-sq.-ft., three-level Hawaii Power Center on Kamehameha Highway. That club was due to open in the summer of 1993, according to a July 18, 1991, release from Terranomics, a San Francisco-based leasing agent for the developer, Pearl Highland Center Associates.

But Costco, in its suit filed in the First Circuit Court, contended that negotiations to reach a final agreement were ended in late April by Monroe & Friendlander, the shopping center's Honolulu-based leasing agent, because of "the existence of another [unidentified] prospective tenant."

Monroe & Friendlander "refused to disclose the reasons for their abrupt rejection of the lease," Costco said. The suit charged the developer, the Honolulu leasing agent and B & M (Hawaii) Inc., general partners of Pearl Highland, with acting "wholly, wantonly and maliciously with intent to damage" the wholesale club.

One source said that Hawaii Power Center "lost confidence" in Costco because of the length of time negotiations between the developer and the club were taking and that no lease had been signed after almost a year had passed. The deal was disclosed at a meeting of the International Council of Shopping Centers after a 60-day confidential agreement between Wal-Mart and Monroe & Friendlander embargoing any announcement expired.

Andrew Friedlander, ceo of Monroe & Friendlander, said there wasn't any substance to Costco's suit and wouldn't stop Sam's Club from anchoring the center. "Our attorneys tell us we could not have gone ahead with the [Sam's Club] agreement had there been any merit to Costco's case," he told the *Honolulu Advertiser.*

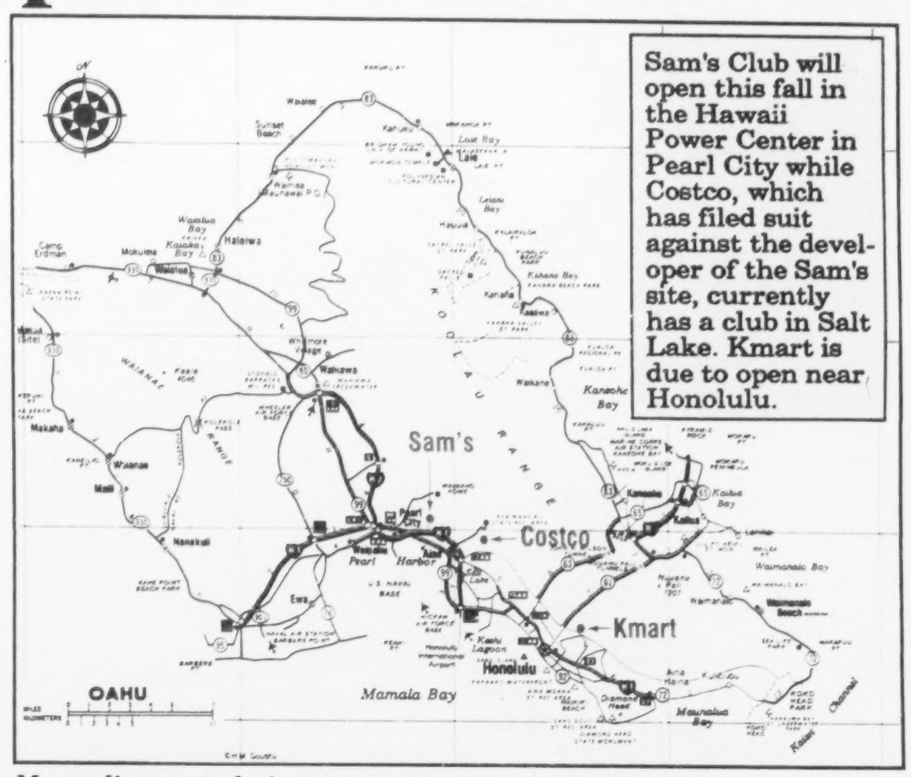
Costco has asked the court to stop any leasing agreement with or property sale to other parties and order the developer to lease the store to Costco "under mutually agreed terms." It's also seeking unspecified monetary damages for architectural and engineering costs and expenses incurred for zoning and land-use permits.

The Sam's Club, like the proposed Costco, will be on the ground floor of the shopping center, the first "power center" in Hawaii. The developer, Pearl Highland Center Associates, is a group of individuals who bought the 14-acre site for $30 million.

Hawaii Power Center is in Pearl City, adjacent to the Pearl City Post Office, overlooking Pearl Harbor, and near the intersection of three major Oahu Island highways. Pearl City is about three miles north of Honolulu's Salt Lake suburb, where Costco opened its initial island club, in 1988.

Costco plans to open a 108,000-sq.-ft. club this fall in the 210,000-sq.-ft. Hawaii Kai Towne Center in Hawaii Kai in east Oahu, about 16 miles from Pearl City.

Costco president and ceo James Sinegal said the company planned to open on Maui Island. "We attract a lot of business from the Neighbor Islands," he told *Pacific Business News* on a visit to Hawaii.



Sam's Club will open this fall in the Hawaii Power Center in Pearl City while Costco, which has filed suit against the developer of the Sam's site, currently has a club in Salt Lake. Kmart is due to open near Honolulu.

***Many discount chains** are competing for key locations in Hawaii, a market that is ripe for expansion.*

Caldor to Build 2nd DC; Narrows 1st Qtr. Loss

NEWBURGH, N.Y. — Caldor is leasing a 500,000-sq.-ft. distribution center here, its second.

This Northeast regional discounter, based in Norwalk, Conn., also announced that it narrowed its pretax loss to $6.7 million in its first quarter from $35.2 million in the same three months of 1991.

Caldor expects to occupy the DC this September, said an executive for the developer, National Realty & Development. The distribution center has the potential of being expanded to 900,000-sq.-ft., he added.

The leased site is located in the Northeast Business Center, at I-84 and the New York Thruway. Caldor will be able to supply the entire northeast from the central location, the executive said.

Caldor operates 128 stores, including six opened in 1991. Sales last year totaled $1.9 billion.

In the first quarter of this year, Caldor significantly narrowed its pretax loss from a year ago.

The 1991 pretax loss included payment of $21.5 million in executive bonuses in connection with going public, indicating an operating loss of $13.7 million.

Sales for the February to May quarter in 1992 rose 8.9% to $412 million from $378.7 million. Same store sales increased 3.1%, Caldor stated is its first quarterly sales and earnings report for its 1993 fiscal year.

"Total sales and earnings improved in spite of the tough Northeastern economic climate and the unseasonably cool spring weather," president Marc I. Balmuth, said in announcing the results.

"Inventories are under control," Balmuth said, "and the quarter ended in line with plans. During the first quarter, as a result of our continued focus on cost containment, selling, general and administrative expenses, as a percent of total sales, were reduced by 0.7%.

"In the months ahead we will continue to focus on proper merchandise assortments, value pricing and diligent cost containment."

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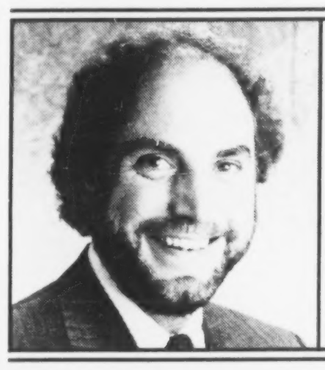
EDITORIAL

Supermarkets Strike Back With Hybrid

Everyone loves to hear a story about a new retail concept, right? Well, guess what, I've got one for you.

This concept is particularly interesting because it's directly related to the results of a research study on Alternative Store Formats released last month by the Food Marketing Institute during the supermarket industry's annual convention.

The FMI study analyzed the new competitors threatening supermarkets (primarily warehouse clubs, supercenters, and deep discount drug stores) and offered several suggestions for supermarkets to offset the onslaught.



TONY LISANTI
Editor

And that's what this new concept is—one supermarket chain's reaction to the mounting competition from alternative retail concepts. It was developed quickly and quietly by ShopRite, the largest chain of supermarkets in the Northeast, in the small, affluent suburban New Jersey town of Bernardsville. It is located next to a full-size ShopRite Supermarket and is appropriately called "ShopRite Annex." It occupies the former site of Jaeger Lumber, and according to a source, ShopRite grabbed the location before other interested chains including CVS, could.

What's so special about the ShopRite Annex? Let's take a look at this hybrid concept which combines a bit of a drugstore, warehouse club and discount store. In other words, aggressive pricing, value, convenience, deep selection and brand names.

The store, which currently utilizes about 20,000 sq. ft., is promoted as a low price neighborhood drug store. Its tag line states: "The lowest prices that ShopRite is famous for, plus service and variety of a neighborhood drug store." ShopRite Annex is divided into several key high-traffic departments:

- Pharmacy—A full pharmacy is promoted by coupons offering $3 off any new or transferred prescription.
- Movie rentals—A complete video rental department promotes current releases at 99 cents.
- Books and magazines—Like a discount store or warehouse club, bestsellers are heavily discounted at 30% to 40% off list price.
- Health and beauty care—About one-third of the store is devoted to a wide selection of name brands in standard sizes in all categories.
- Greeting Cards—This department is consistent with what other types of retailers offer.
- Seasonal—An impressive selection of plants, seed and fertilizer is currently being merchandised along with resin chairs, grills, and accessories.
- Giant Value—This is, perhaps, the most interesting area of the store. The last two aisles are set up like a warehouse club with a limited selection of soda, cereal, coffee, household cleaners, paper goods, and condiments in large sizes and multipacks.

This hybrid test concept, which is very similar to the new F&M deep discount drug store prototype, is further evidence of the blurring of retailing. It should be a reminder to everyone that the supermarket industry has begun to flex its muscle and react to the challenge of discount stores and warehouse clubs.

I wonder how many similar concepts are quietly sprouting up around the country? I bet there are quite a few. Beware.

BUYERS & SELLERS

Political Correctness Nothing New to Retailers

Political correctness has been the butt of jokes and whipping-boy (er, make that whipping-"not fully mature person of the male gender") of conservative commentators for the past year. Recently, columnist John Leo, writing in *U.S. News & World Report*, called 1991 a "banner year" for political correctness. "A new batch of 'isms' were announced, many new oppressions were discovered and opponents were soundly thrashed and occasionally gagged so that a kinder, gentler campus might emerge."

But political correctness is nothing new in the retail industry, which for years has had its own form of PC Retailspeak.

With the help of *DSN* senior editors Pete Hisey and Mary Ellen Kelly, I've put together a glossary of some of the more often heard PCs of retailing.

There's the ever-popular "left to pursue other interests"—which nobody ever believes to be literally true. Some others:

"Environmentally friendly." Translation: The product is too high-priced to sell based on effectiveness alone.

"We're updating assortments" or "reducing inventories." Translation: It's finally time to run a clearance sale on love beads and bell bottoms.

"Improved adjacencies." Translation: Eliminating the juxtaposition of condoms with incontinence products or panty-hose with power tools.

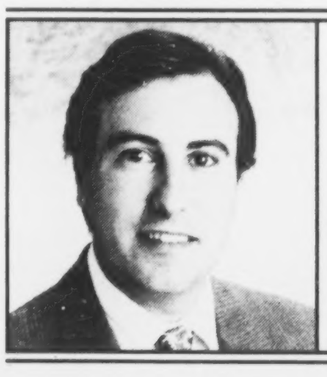
"Centralized buying." Translation: Computers can buy better than our store managers.

"Our shrink rate is in line with industry norms." Translation: We're thinking of taking the cash registers out altogether.

"We're taking a wait and see attitude on that one." Translation: Our business plan calls for waiting until the competition is beating our skulls into shards before we try something new.

"We think that our customers are looking for the best value, not necessarily just the best price." Translation: We couldn't match Wal-Mart's price if we got the stuff for free.

"We're an off-pricer, not a discounter." Translation: We sell large volumes of brand name goods at discount from the manufacturer's suggested list price, but just don't use the "D" word.



DON LONGO
Exec Editor

"We're outplacing a number of key executives." Translation: They were fired. Other PC variations on "fired" include "restructuring," "reshaping the workforce," "releasing resources," or executing a "normal payroll adjustment."

Industry observers like Pete, Mary Ellen and I have grown accustomed to such retail PC talk. We hear it all the time. But what if political correctness, in its current form in U.S. academia,were to sweep into retailing.

Already, according to *U.S. News*, the Eddie Bauer catalog offers pitch-saturated kindling wood made from trees felled by lightning or other natural causes. Yes, comments Leo, "and the minks on my wife's coat all committed suicide."

To be truly politically correct, many retailers would have to change their name. Herman's, for instance, would have to be Her/His Male/Female's.

Grandpa's would become Mature Citizen's. So as to avoid discriminating on the basis of age, Child World could probably make a simple adoption of, say, Not Fully Mature Person World, but the spelling—and grammar—challenge will absolutely demand a total revamp of Toys "R" Us.

Hit or Ms. is a fairly obvious and inexpensive signage change, but what to do with The Good Guys? They could try The Good Persons, but by whose standards are they "good?" Is this meant to imply subservient, co-dependent people pleasers? Hmmm. So, how about The Adequate Persons?

G.I. Joe's is, of course, absolutely untenable. Not only does it promote militarism in our not fully mature persons, but it is also a sexist, exclusionary appellation, slyly hinting that only the most macho should even enter the premises.

And the same goes for Rich's. America does not need any more classist propaganda based on wealth.

Now for a quick quiz. What would you do to make these chain's names more PC:

- Pep Boys?
- Casual Male?
- Lionel Kiddie City?
- Oshman's?

You will be graded.

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Cable Address: LEBHAFRIED
Fax # for News Releases: 212-756-5125

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Editorial/Mktg. Asst. **Laura Steele**
Art Director **Milt Berwin**
Graphic Artist **Maryellen Seery**

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent **Kenneth Rankin**
VP, Group Publisher **FRED J. FILER**

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REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager **James Malver**
Office Manager **Diane Carson**

Cleveland Summit One Bldg., 4700 Rockside Rd., Independence, OH 44131 216-642-3420
Area Manager **Dave Tuttle**
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Chicago 444 N. Michigan Ave., Chicago, IL 60611
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District Manager **Bruce Smith**
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VIDEO SELL-THROUGH

Promos Play Big Part in Home Video Niche

Discounters to Grab Year-Round Profits With Merchandising Outposts, Displays, Pricing

Nationwide DSN Report

The story of a cannibalistic psychologist who helps an FBI agent nab a transvestite serial killer who, among other things, skins his victims, is just one of the exciting home video releases coming out this summer and fall.

Besides the Oscar-winning Best Picture "Silence of the Lambs," other hit movies that promise to make discount store cash registers jingle include:

- The $100 million-plus box office hit "Wayne's World";
- Disney's award-winning animated feature "Beauty and the Beast" ($120 million-plus at the box office)";
- Last summer's block-buster action film "Terminator 2: Judgement Day";
- Kevin Costner's Oscar-winning feature "Dances with Wolves"; and,
- Steven Spielberg's adult fairy tale, "Hook."

Most of those movies will hit stores at the sell-through price of $24.95, according to sources.

Less spectacular releases, but more likely to build discounter's year-round everyday video business, are also on tape. Those include:

- The September release of "The Chipmunks," from Buena Vista Home Video, which distributes Walt Disney, Touchstone, Hollywood Pictures and Buena Vista videocassettes. Through an agreement with Bagdasarian Productions, Buena Vista will market "The Chipmunks" as a separate video line at the sell-through price of $12.99 each;
- The 50th anniversary release of "Casablanca" by MGM/UA Home Video, in conjunction with a major sponsorship agreement; and,
- Two sports entertainment videos from ESPN Home Video, "The Best of SportsCenter with Chris Berman" at $14.95 and "Practical Jokes on the Pros" at $9.95;
- Two new "Nonsense and Lullabyes" videos from Family Home Entertainment at $9.98 each, as well as a repricing of its animated classics line, including such titles as "The Adventures of Tom Sawyer," "Peter Pan," and "Black Beauty" to $9.98, from $14.95 each.

"The industry has gotten very good at selling the hit movies," commented Disney Worldwide Home Video chief Bill Mechanic. "Now it's time to get better at selling year-round."

Supporting Mechanic's contention that retailers should pay more attention to building their year-round video business are figures from software jobber Handleman, which show that 34% of holiday 1991 home video sales were of product priced at under $10. Another 22% of prerecorded videocassettes sold during the 1991 holiday season were priced between $10 and $15, while the big hits are generally priced at $20 and higher.

Home video is one of the fastest growing product categories in mass merchant outlets. Discounters who have devoted the necessary space to present a wide assortment of product, like ShopKo, Kmart and Wal-Mart, have reported sales gains of between 20% and 46% in home video this year.

"We're a business that happened in spite of itself," observed Mechanic of Disney. Richard Cohen, executive vice president of home video for Disney, added, "For retailers who have made the inventory commitment, we've seen same store sales increases of 300% to 900%."

Generally, margins for retailers are better on the basic, everyday product because there's not as much price competition on the lower priced videos as there is on the monster hits. One way to build the overall business, suggested Mechanic in an interview with *DSN*, was to create video outposts through the store.

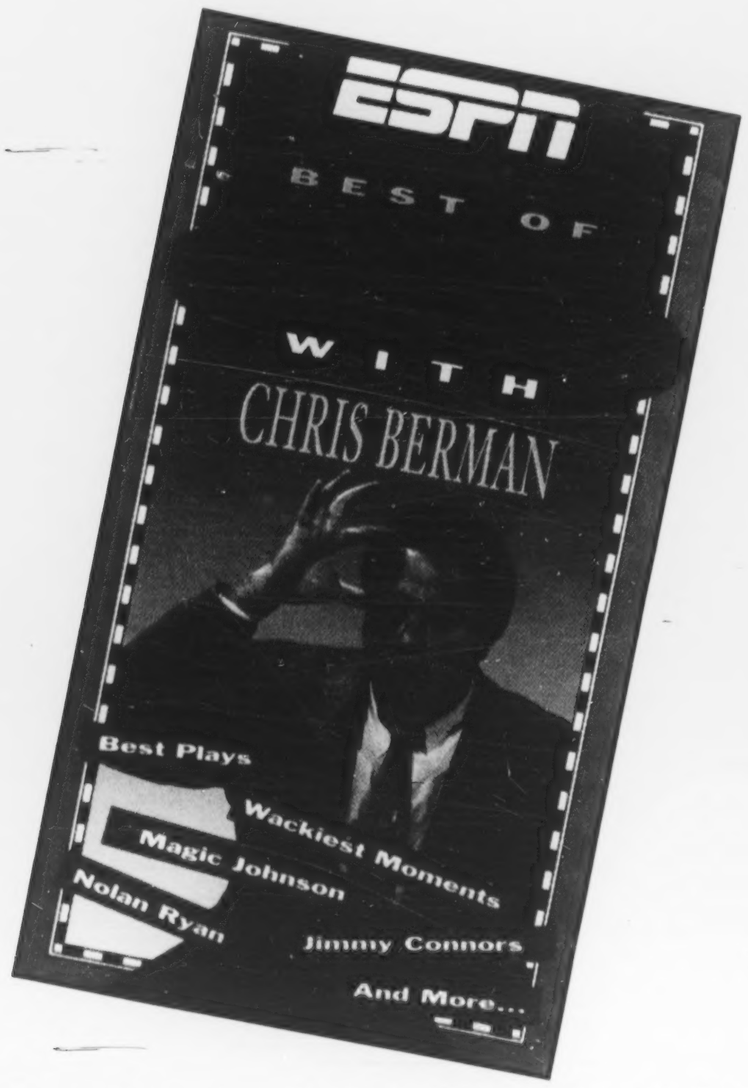
"You can put high-volume, best-seller videos in the main aisle to give the customer a taste of what they'll find in your full video department," said the Disney executive. "Then, you can create other opportunities, such as an outpost in the toy doll department for the "Dance Workout with Barbie" exercise video, "Ed Sullivan Show" videos in the TV department and "Chipmunks" videos in toys or apparel."

Industry figures reveal that nearly half (47%) of all home video customers buy their videos at mass merchant outlets, compared to only 20% at video specialty stores, 11% via direct mail, and 9% from supermarket and convenience stores. With VCR penetration growing from just 25.9% of households in 1985 to 90.2% of households by 1995, the total market is expected to keep growing strong. Almost 12 million VCRs were sold in 1991, 45% to first-time buyers, 24% for replacement, and 31% to multi-unit homes.

"The home video industry is Hollywood's largest customer," said Wayne Huizenga, chairman and chief executive officer of Blockbuster Entertainment, the largest video specialty chain, in a talk to analysts. "In fact, [home video] is as large as movie theaters."

(Continued on page 37)

***ShopKo's video preview station** enables customers to watch movie trailers of titles stocked by the store.* (DSN Photo)



***ESPN Home Video** offers 'The Best of SportsCenter with Chris Berman' at $14.95. This video features 1991 highlights including Major League Baseball, 'Plays of the Year' and 'Wackiest Moments.'*

VIDEO SELL-THROUGH

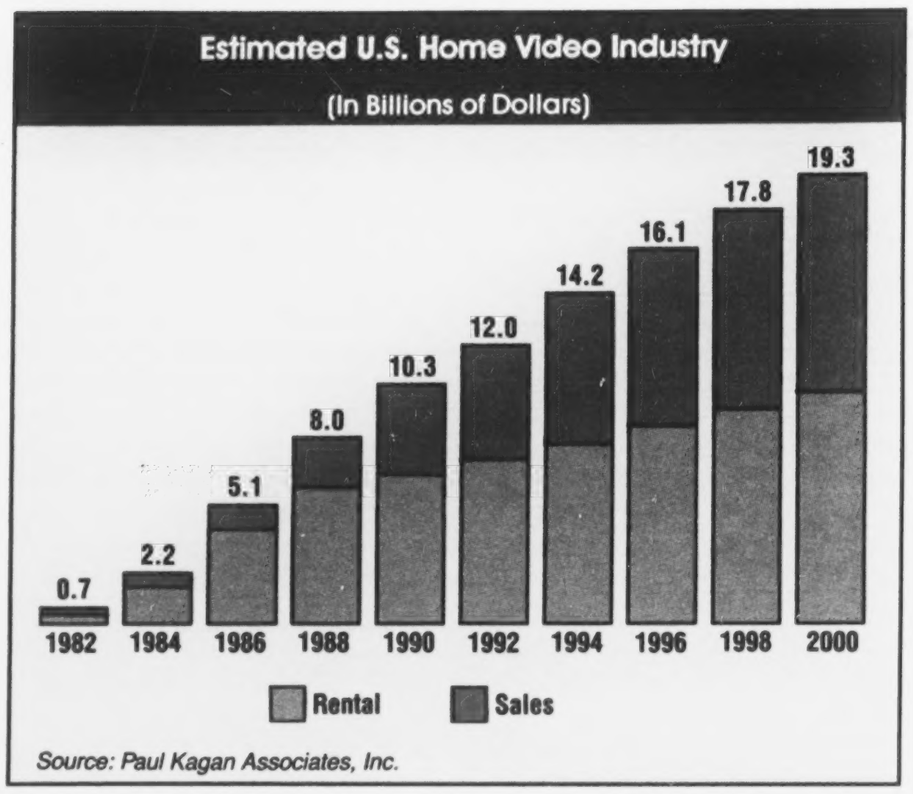
Promos Play Large Role in Home Video

(Continued from page 35)

Blockbuster is by far the largest of video specialty chains and is still growing even as the sell-through business continues to shift to mass merchants. Its newest store prototype, being rolled out to all 2,000 stores, features new freestanding fixtures holding up to 450 tapes each. These new fixtures enable the store to more effectively display sell-through and previously-viewed products in mass presentation.

Following the lead of mass merchants like Target and ShopKo, Blockbuster is testing preview machines that enable the customer to see a trailer for up to 100 different titles stocked by the stores. To preview a movie, a customer punches a number of the selected title on the screen.

Of course, hits will continue to grab the spotlight and be a big part of the video business. Disney projects that this fall's release of "Beauty and the Beast," its 30th full-length animated feature, will generate $135 million to $140 million in sales—topping "Fantasia" as the best-selling home video of all time.



New Trend: Specialty Videos

(Continued from page 36)

Knowing your customers' needs and wants are an important factor of the success equation, since cautious customers are increasingly demanding more information from retailers about the products they sell. Additionally, store level employees must be motivated to provide service and attention to make their customers lives easier.

To this end, retailers, suppliers and distributors must join together in "strategic alliances." Their very survival demands on cementing ties to one and another in far more substantial ways. For example, video suppliers and distributors need to meet with the person who meets the consumers fact to face: the retailers. Only in this way, suppliers can obtain the necessary information to accurately tailor the video mix to the customers' needs.

Retailers who have primarily relied upon suppliers to provide product and promotional material must be more actively involved in product selection on an ongoing basis, to maintain consistency and accuracy. Store level employees have to be motivated to provide customer information to their suppliers. However, a recent study has shown that more than 70% of retailers do not share sales data with their working partners. Sharing information is imperative for everyone.

Consumer awareness and interest in special interest videos is growing at an unprecedented pace. It's more evident that consumer-driven marketing, value-driven operations and strategic partnerships among retailers, suppliers and distributors are the necessary components for survival.

sell more videotape, sell hours.

For home video tapers, extra recording time means extra value. That's why longer-length videotapes are the fastest growing segment in the industry. And that's why BASF is the long-length leader. Only BASF gives consumers the T-130, T-160, *and* T-180, with an additional ½ hour, 2 hours, and 3 hours of recording time, respectively. That's an unbeatable choice of tape lengths for every recording need. With unmatched quality for recording at any speed. So stock up on BASF videotapes today. There's never been a better time to increase your profits.

The longer. The better.

IMRA Show Illustrates Vitality of Discounting

(Continued from page 1)

Generally, attendees at the convention were upbeat, expressing more than the usual degree of "cautious optimism." On the eve of the convention, most discount store chains were reporting double-digit percentage sales gains for the month of April, with many also posting 10% or more comp-store figures.

However, Bob Buchanan, principal, Alex. Brown & Sons, cautioned retailers not to get too excited. In a general session entitled, "Mass Retailing in the '90s—A Critical Analysis," Buchanan said, "January and February both started strong," but he believes it was a "false start." Buchanan estimated there will be 1% to 2% real growth in consumer spending this year, compared to a 1% decline last year.

Moderator John McLaughlin, host of the McLaughlin Group, noted that consumer confidence was up 8% in April, retail sales were up during three of the past four months, and the trade deficit was down.

Janet Mangano, vice president, Burnham Securities, predicted modest growth this year due to strength in the consumer market, but due more to the purchase of services than products.

On the manufacturer side, business appears equally improved. Vidal Sassoon appliances is "running well ahead of last year," said Bill McCorvey, senior vp, and Tony Taggart of Seymour ironing goods called the current year ending June 30 "the best year we've ever had."

Robert Verdisco, completing his first year as IMRA's president, attributed the increased attendance to IMRA's ability to expand its appeal to home center chains and warehouse clubs, among other types of specialty discount formats.

The absence of Kmart, which resigned from IMRA this year, was more than replaced by first-time attendees from BrandsMart U.S.A., Computer City, Conway, Everything's A Dollar, Grandpa's, Leedmark, Lowe's, Phar-Mor (registered but not seen on the merchandise show floor), Warehouse Club, and Wholesale Depot.

IMRA's 1992 Consumer Research Study, conducted by Deloitte & Touche/TRADE Retail and Distribution Services Group and entitled, "Stop, Look & Buy . . . Where & Why," outlined the various shopper groups, merchandise selection, advertising vehicles, store layout, and price strategies that work best for each.

Shopping behavior, the study noted, is driven by time, availability and for whom the person is shopping—for themselves or for their children. However, prime motivators continue to be low price and selection, although each shopper group now reacts differently to the five key shopping motivators of low price, selection, location, quality and in-stock position.

The survey, based on 1,006 phone interviews, identified four primary shopper groups: working shoppers without children (38%); working shoppers with children (34%); homemakers (10%); and retirees (12%, but growing).

Study highlights include:

- 73% of mass market shoppers are female;
- 70% are employed;
- 59% are married;
- Food is the mostly frequently planned purchase;
- Mass market outlets are the stores of choice followed by food and department stores.

Reaction to the study was somewhat mixed. Many thought the report was insightful, while others said they expected more answers to critical problems of how to appeal to a broader spectrum of customers.

The emphasis on partnership, begun at last year's convention, continued with the presentation of IMRA's Associate Member Committee's Partnership Award to Venture chairman Julian Seeherman.

"The first thing that's important is to have partnership yourself," said Seeherman, who attributed Venture's success to having "others help us. We work with each other to a common goal."

Interviewed by *DSN* on the convention floor, Jack Shewmaker, former Wal-Mart vice chairman and now an independent consultant, described partnership as a crucial ingredient for retailers who hope to respond to the challenging business landscape of the 1990s. However, Richard Kronrad, president of jewelry supplier, AAi, pointed out that not all retailers take partnership seriously enough. "They have to take the word partnership seriously and not just put the burden on the supplier," said Kronrad.

Chuck Siegel, president and ceo of 50-Off Stores, the fast-growing chain of soft lines stores, agreed that more partnership between retailers and vendors is needed.

There must be "a greater recognition of the needs of retailers and vendors to understand each other—an understanding by both to operate long-term profitably. It's not just one deal or one day. The really successful companies are led by people who manage by example and not by title."

Larry Rigel, vp and gm of The Andersons retail group, added that "moving information back and forth [between retailers and supplier] is critical. All kinds of efficiencies can be gained. It's a win-win situation."

Another major theme at the show was target marketing. Retailers and manufacturers have come to understand that they must know specifically who their customer is. There also is a great interest in programs and services that enable retailers to extract as much information about their customers as they can so that products, merchandising programs, store design, etc., are geared to meet their needs. Bob Giampietro, director of special projects for Target Stores, contended that the old "cookie-cutter" formula, that of dealing in averages "conspires to create mediocrity." It's like, he said, sticking one's hand in both fire and ice at the same time. On average, your hand should feel comfortable, but obviously that's a good way of losing your hand.

Wal-Mart vice president John Lupo and Management Horizons chief economist Carl Steidtmann opined that consumer-oriented warehouse clubs would be the next generation of discounters—low margins, high volume but somewhat greater sku selection than today's clubs.

The expanding power of Wal-Mart in all three of its major retail divisions—discount stores, warehouse clubs and food retailing—also captured the attention of attendees. The effect of Wal-Mart's geographic growth into the Northeast was addressed by Joe Hatfield, senior vp, Sam's Club.

"Wal-Mart is not concerned about the different characteristics of the Northeast customer and shopper base," Hatfield told *DSN*. "Wherever you go, all customers want value." He said Wal-Mart is willing to pay more to get the right people working in the stores, and said, "when you treat your associates right, you'd be amazed what they will do for you."

Some vendors, who asked to remain anonymous, also expressed their concern about growing private label programs at Wal-Mart and others.

The growth of the warehouse club industry was also noted by numerous attendees. Said Lupo of Wal-Mart: "I contend that the warehouse club industry has the potential to do to the discount industry what discounters did to the department store industry."

He suggested retailers "be competitive to the penny. Challenge manufacturers for the same prices [they make available to clubs], and offer pallet displays." Lupo noted that assortment is the biggest advantage discounters have over wholesale clubs, and that the assortment keeps customers coming back more often than the twice a month average for clubs.

During that same session, Wal-Mart executive vice president Bill Fields concluded, "We [retailers] have to be able to adapt because probably the best competitor isn't even on the street yet. Item merchandising will be key to training merchants of the future. It will do nothing but make the company stronger. There is no better training than to have someone develop a line, fail and learn."

This article was researched and written by Don Longo, Laura Liebeck and Mary Ellen Kelly.

***Caldor's Steve Fishman** and wife Barbara walk the show floor.*

Wal-Mart Plans Growth in California

(Continued from page 1)

The California stores will be supplied from a 1.1 million- sq.-ft. distribution and regional office center in Porterville, Calif., one of three DCs opened last year. That facility—also geared to serve Nevada and Oregon—can hold two million cases of merchandise and ship about 500,000 cases a week.

But the discounter's dominating status is evident from the expansion support it's receiving from developers, some of which are positioning Wal-Mart as an anchor for community and regional centers that often include other major retailers as co-anchors.

Wal-Mart will open a freestanding 125,000-sq.-ft. store this fall in Hemet, with the site permitting a future addition of about 30,000 sq. ft. The retailer obtained the 13-acre site from FKC Partners, with the help of CB Commercial Real Estate Group. The store, in Riverside County, complements a Wal-Mart in Perris opened earlier this year. Perris employees were among those appearing in the April circular.

Wal-Mart will be the anchor in two new Riley/Pearlman Co. centers. These are Sunwest Plaza in Lodi, set to open in fall '92, with Ross Stores, 98¢ Clearance and Fashion Bug as other anchors, and Mission Ridge Plaza in Manteca, due to open in December with Denneys, Mervyns, Pak 'N Save and Warehouse Entertainment as co-anchors. The Lodi and Manteca areas bracket Stockton, where Wal-Mart already has a store.

Vestar Development will have Wal-Mart as an anchor in Cerritos Towne Center opening in May '93 in Cerritos, with Smith's Food and Drug as a co-anchor. Cerritos is a Los Angeles suburb.

Red Ink Sinks Alexander's

(Continued from page 4)

His merchandising thumb print was visible in Alexander's, which shortly after his appointment began to concentrate more on basic assortments and rolled out POS scanning and other electronic improvements. Though comp store sales did begin to show signs of modest increase, they were not meaningful enough to keep the operation going.

Goldberger had been president of Hills, but left that chain in December 1990. Soon after, Hills, which was founded by his father, Hank Goldberger, filed for Chapter 11.

One of Alexander's largest shareholders, Interstate Properties, was also involved with the defunct Two Guys chain, which ultimately made money for the company through its real estate rather than its retailing business.

Alexander's was founded in 1928 by George Farkas. The chain grew to 15 stores in the metropolitan New York area, but began selling its properties as business declined in the early '80s.

DISCOUNT STORE NEWS

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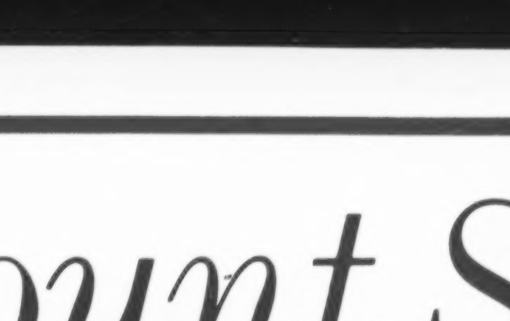
WAL★MART WAL★MART WAL★MART WAL★MART WAL★MART

THE WORLD OF WAL★MART



Thirty years ago, a small variety store retailer in Bentonville, Ark., launched a discount store chain dedicated to bringing name brand merchandise to rural consumers at discount prices. The chain grew quietly and without much notice during its formative years. Today, Wal-Mart is America's largest retailer with an ever-growing fleet of discount stores, Sam's Clubs and Wal-Mart SuperCenters. In this special issue, DSN chronicles the history of this retail phenomenon and provides a glimpse into its future.

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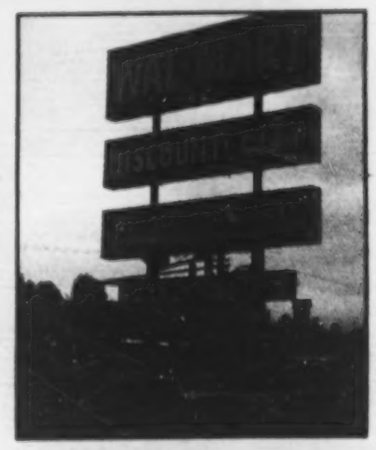

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Confab Addresses Freeing Up Inventory Pipeline

By Mary Ellen Kelly

ATLANTA — Retailers and manufacturers discussed tools for getting rid of obstructions in the merchandise inventory pipeline during a conference conducted here by the National Retail Federation in partnership with KPMG Peat Marwick.

Giles Bateman, co-founder and former vice chairman of The Price Co., delivered the keynote address at the conference titled, "Strategic Solutions and New Technology: Streamlining the Inventory Pipeline"—the first NRF-sponsored distribution conference.

Speakers included:

- John Przybycein, systems manager with Kmart;
- Stephen Smith, Ph.D., JCPenney Research Professor, Retail Workbench at Santa Clara University;
- Paul Benchener, director of Quick Response with Levi Straus;
- Jerry Black, vice president of inventory management and logistics at Best Products;
- Dave Lynch, vp, transportation with Revco; and,
- From CompUSA, president, Nathan Morton and senior vp, MIS, Gary Gamso.

Bateman's presentation—which included a listing of retailing winners like Wal-Mart, Home Depot and Toys "R" Us and losers like traditional department stores and Sears—stressed the key to being a winner as it pertains to inventory management. He stressed the importance of passing on distribution and inventory cost reductions to the consumer in the form of lowered prices—rather than giving it to shareholders or using it to build internal profits. Chains that do not continuously drive down prices will ultimately find their market share eroded by those that do, he said.

Bateman said this "ratcheting down" of price points, however, can be undermined by pressures from investors because, "Wall Street salivates when gross margins are above 20%," tempting retailers to keep prices high. Costco's ability to enter Price Club's market was ultimately attributable to Price trying to sustain gross margins that satisfied investors, Bateman said.

"We stuck ourselves with a price umbrella that was too high . . . it was a major competitive mistake," Bateman said.

Kmart's Przybycein presented an overview of the Kmart inventory pipeline calendar and explained that he believes "each leg has room to improve."

The replenishment process includes sales at stores being transmitted to headquarters on Sunday night; order decisions being made on Monday; orders transmitted to distribution centers on Tuesday; DCs shipping inventory on Wednesday; and stores receiving merchandise on Thursday.

However, "four days is going to seem like a long time in just a couple years," he noted, as Kmart continually strives to reduce the reorder cycle.

CompUSA's Gamso explained that the $800 million, 20-unit specialty chain was forced to take a hard look at its inventory price line when its shrinkage levels soared roughly 18 months ago. Unlike any non-warehouse club retailer, CompUSA faced the special problem of having the kind of volume stimulated by 15% gross margins, and yet no scanning capability or distribution center to replenish its stores.

For CompUSA, the answer to streamlining inventory replenishment came from intensive store-level training programs, and creating system "trip wires" to signal trouble. Some form of "multi-media training" program is being explored to build up each store associate's ability to address inventory issues as they arise. The proposed training changes would also eliminate the need to move associates around to the chain's various locations for training purposes.

In addition to training to improve inventory flow, the company is going to begin researching store-level scanning for merchandise receiving, with a long-term goal of checkout scanning. Right now, with UPC bar codes on only 60% to 65% of all products supplied to stores like CompUSA, scanning at checkout is not feasible. "At this point, we don't feel we would gain efficiencies with scanning," Gamso noted. In June the company began testing automated replenishment, which is expected to raise in-stock levels.

Stuarts' Plan Approved; 1Q Results Show Gains

FRANKLIN, Mass. — Stuarts will likely emerge from Chapter 11 bankruptcy protection in September, according to president Joseph Ettore. The New England-based discount chain recently announced improved first quarter results for the 13 weeks ended May 2. Sales were $25.2 million, compared to $23.7 million a year ago, while the chain reduced its net loss from $623,000 last year to $255,000 for the 1992 first quarter.

The reported sales increase coincided with Stuarts' announcement that a plan of reorganization has been agreed upon by the company and its Official Committee of Unsecured Creditors.

The terms of the reorganization plan provide for payment to unsecured creditors in the form of three cash payments totaling about 37% of the total amount of unsecured claims. A payment of $5.2 million will be made upon confirmation of the plan; $6 million to be paid Dec. 31, 1992; with the remaining $5 million to be paid in December 1993. The proposed plan also provides for issuing of 80% of common stock of the reorganized company to unsecured creditors.

Stuarts operates 20 stores in the Northeast. It has received approval for two new store openings in Massachusetts, scheduled to open in August.

Sam's Club Extends Jewelry Deal

Jan Bell's Growth Fueled by Two Wholesale Clubs

By Arthur Markowitz

SUNRISE, Fla. — Jan Bell Marketing has extended for an additional year its commitment to supply jewelry, watches and fragrances to all current and future Sam's Clubs.

The agreement with Sam's Club, made in 1991 for a two-year period, now runs through Feb. 1, 1994. A six-year agreement made at the same time to supply Pace Membership Warehouses with the same merchandise expires in 1996.

The two agreements denote how vital Sam's Club's and Pace's business is to Jan Bell, with the duo accounting for a total of $155.2 million or 69.2% of the vendor's $224.262 million in sales. The explosive growth of the two clubs last year was the key factor in Jan Bell's volume jumping 60.4% from $117.246 million in 1990. At that time, the two clubs accounted for $102 million or 57.6% of the jewelry vendor's sales.

But the terms of the two deals are markedly different, with Sam's Club owning the jewelry, watches and fragrances inventories, while Jan Bell is a lessee in Pace.

The Sam's Club agreement is unusual in that Jan Bell maintains a refundable, non-interest bearing deposit of $17,822,000 with the club. Jan Bell noted in its annual report that this deposit played a part in reducing the vendor's interest income by $411,000 last year.

Rosemary B. Trudeau, Jan Bell's vice president, finance, said the deposit "was a gesture to solidify our relationship" with Sam's Club when the agreement was made and "reflected the value of the jewelry inventory" at that time. The value of that inventory is much higher now, she said.

The deposit was an "insignificant" player in Jan Bell's interest income decline, she added, estimating that in today's low interest environment it would generate about $700,000.

The key factors in the interest income decline, the annual report explained, were the overall drop in interest rates for investments, elimination of $18 million in bank notes and a $1.6 million jump in interest expenses.

The Sam's Club agreement also calls for Jan Bell "to balance the inventory and provides for rebates based on targeted sales with the rebate percentage increasing as sales level increase."

Service Merchandise Starts Preferred Shopping Club

NASHVILLE, Tenn. — Service Merchandise has launched a Preferred Shopping Club program, modeled on the membership idea of wholesale clubs, that provides a 5% discount on all purchases to participants.

Club membership costs $25 annually, with senior citizens charged $15. The club was started in the cataloger's eight Colorado stores.

The club's membership card bears a bar code. The card is scanned when a shopper makes a purchase and the price of all the items on the order are then automatically discounted 5%.

The club is the cataloger's latest effort to enhance showroom shopping and thereby boost sales. Previous efforts included a gift registry program, with the lists of desired gifts accessible at any showroom and updated as merchandise is purchased; a telecommunication system for hearing-impared consumers, and a Service Merchandise credit card. The cataloger in 28 showrooms is testing enhancement of its Silent Sam terminals into interactive kiosks, so that shoppers can check merchandise availability and also order goods, paying by credit card.

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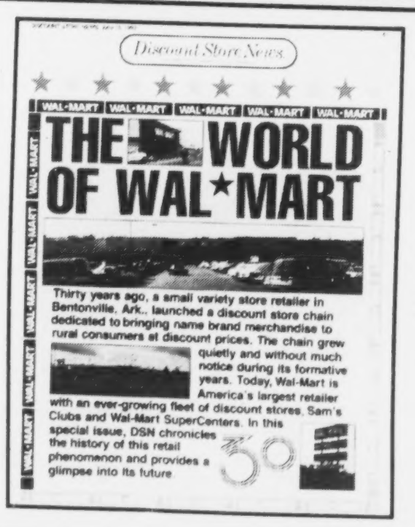
Discount Store News
WAL-MART
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MARKETWATCH

Tops Files Stock Offering

EDISON, N.J. — Tops Appliance City has filed to go public with a 1.85 million share stock sale that it hopes will raise about $30 million at $16 a share. Tops now operates four superstores of about 50,000 sq. ft. each and logged sales of more than $400 million in 1991 from its three stores, all located in New Jersey.

Proposed L.I. Sam's Club at Stake

MEDFORD, N.Y. — Sam's Club's plans to open a 134,000-sq.-ft. store here will be determined June 16 when the Brookhaven town board is due to decide on whether or not to stop the project. At stake is a proposal to eliminate a zoning provision allowing retail development in selected industrial areas like the Medford site. Sam's Club opponents, which include the United Food and Commercial Workers, battling the warehouse club in many locations, claim it would increase traffic in an already heavily congested area. Sam's Club representatives said that its parent Wal-Mart had earmarked $750,000 toward a $3 million service road to reduce traffic congestion.

Value City Withdraws Offering

COLUMBUS, Ohio — Value City scrubbed a public stock offering to finance the acquisition of the Gee Bee chain from their parent, Schottenstein Stores, for $23 million, and instead is turning to banks to finance the deal. Value City was unable to get the $14 per share price it had hoped would raise about $50.6 million from selling 3.68 million shares.

Ex-Zayre Chief Named Morse Shoe CEO

CANTON, Mass. — Malcolm L. Sherman, former chairman of Zayre Stores, has been named president and chief executive officer of Morse Shoe. Morse sells through leased departments in 500 discount stores, as well as through its 500-store Fayva chain. Most recently, Sherman was chairman and ceo of Channel Home Centers. His past positions include that of executive vice president, Ideal Shoe Company.

Revlon Stock Offering to Pay Off Debt

NEW YORK — Revlon has filed a plan with the Securities & Exchange Commission for an initial public offering of 20 million shares of stock at about $19 each. Proceeds from the sale would be used primarily to pay off about $411 million in debt. In 1991, Revlon reported a loss pf $404 million. Revlon's mass-market health and beauty care brands include Almay, Moon Drops, Charlie, Jean Nate, Flex and Mitchum.

May 1992 Sales Results

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart*	27.0%	12.0%
Sam's Club	32.0	12.0
Kmart**	1.9	0.0
Pace	19.8	10.8
PayLess Drug	19.5	3.7
Sports Authority	98.3	13.1
Sears	(0.7)	0.3
Circuit City	19.0	9.0
ShopKo	1.9	0.4
Best Buy	39.0	9.0
Family Dollar	7.5	1.0
Ross Stores	11.0	2.0
Dollar General	24.6	18.3
Woolworth Corp.	(0.6)	(0.5)
The Gap	16.0	3.0
JCPenney	9.8	8.8
Claire's Stores	(4.0)	(12.0)

*Total corporate results
**U.S. Discount stores only
( )—Decline

Source: Company reports

Discount Store Stocks Continue to Tread Water

By Neil Nordby
Special to DSN

Discount store stocks once again paused for rest during the fortnight ended June 2. In fact, stocks in our industry have been in a holding pattern ever since March 2, when the *DSN* Index surged to a record high of 2516.22. For the latest period, our index of 70 stocks stood at 2242.22, down 11% from its record high and off 0.4% for the two-week period.

Blue chip stocks, on the other hand, turned red hot during the period, fueling the Dow Jones above 3400 for the first time ever. The bottom line for this index of 30 cyclical stocks: up 37.18 points, or 1.1%, to a record high of 3413.21.

While the *DSN* Index was relatively flat for the period, the individual stocks that make up that index were far more volatile.

Alexander's phoenix-like flight following its Chapter 11 filing continued to dismay many investors. Specifically, the embattled retailer's stock swelled 58% for the bi-weekly period. Stories surfaced last week that JCPenney was interested in acquiring some of Alexander's sites, which was the only public explanation for Alexander's rally.

Dayton Hudson's positive comments that it plans to exceed 15% annual earnings per share growth, through 7% to 10% physical growth and 3% to 5% same store sales growth, translated into a winning performance on Wall Street. That news, coupled with a 41% drop in the number of Dayton Hud-

(Continued on page 20)

Discount Retailing Chain Stock Analysis Table

Exch	Company	Ticker Symbol	Closing Price 5/18/92	Closing Price 6/2/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	52-Week High	52-Week Low
NYS	Alexander's	ALX	13.50	21.38	7.88	58.33	—	0.00	0.00	37.50	8.38
OTC	All For A Dollar	ADLR	10.25	10.25	0.00	0.00	—	0.00	0.00	12.25	9.00
NYS	Ames Dept. Stores	ADD	0.63	0.56	−0.06	− 9.92	—	0.00	0.00	2.50	0.25
NYS	Autozone	AZO	35.50	34.88	−0.63	− 1.76	43	0.00	0.00	42.00	15.00
OTC	Ben Franklin	BFRS	5.00	4.50	−0.50	−10.00	14	0.00	0.00	5.13	4.50
NYS	Best Buy	BBY	17.13	15.38	−1.75	−10.22	16	0.00	0.00	35.38	11.88
OTC	Brendle's	BRDL	3.00	3.00	0.00	0.00	—	0.00	0.00	3.88	2.00
NYS	Burlington Coat	BCF	25.00	19.63	−5.38	−21.50	11	0.00	0.00	25.88	13.00
NYS	Caldor Corp.	CLD	15.63	15.88	0.25	1.60	—	0.00	0.00	24.75	12.63
NYS	Circuit City Stores	CC	32.63	34.25	1.63	4.98	21	0.08	0.23	35.88	16.13
OTC	Clothestime Inc.	CTME	8.88	8.88	0.00	0.00	22	0.00	0.00	13.25	4.63
OTC	Cosmetic Center Inc.	COSCB	14.25	13.50	−0.75	− 5.26	21	0.00	0.00	15.50	6.50
NYS	Consolidated Stores	CNS	15.13	15.38	0.25	1.65	29	0.00	0.00	16.63	6.38
OTC	Costco	COST	35.00	35.00	0.00	0.00	41	0.00	0.00	42.66	24.66
NYS	CUC Int'l	CU	29.00	32.00	3.00	10.34	58	0.00	0.00	35.25	22.88
NYS	Dayton Hudson	DH	59.00	68.13	9.13	15.47	18	1.52	2.23	80.25	55.75
OTC	Deb Shops	DEBS	9.00	8.75	−0.25	− 2.78	16	0.20	2.29	16.13	8.38
OTC	Dollar General	DOLR	20.38	21.00	0.63	3.07	23	0.20	0.95	23.09	10.69
OTC	Dress Barn	DBRN	9.25	9.13	−0.13	− 1.35	13	0.00	0.00	15.50	7.75
OTC	Drug Emporium (L)	DEMP	7.00	5.13	−1.88	−26.79	—	0.08	1.56	9.25	5.13
NYS	Family Dollar	FDO	16.75	16.88	0.13	0.75	19	0.24	1.42	21.75	11.00
OTC	50-Off Stores	FOFF	17.00	14.88	−2.13	−12.50	23	0.00	0.00	32.25	11.75
OTC	Filene's Basement Corp.	BSMT	18.50	21.00	2.50	13.51	26	0.00	0.00	37.00	16.25
OTC	Fretter	FTTR	3.75	3.50	−0.25	− 6.67	11	0.00	0.00	7.75	3.25
OTC	Good Guys Inc.	GGUY	14.75	13.75	−1.00	− 6.78	18	0.00	0.00	30.00	12.75
OTC	Goody's Family Clothing	GDYS	29.25	28.50	−0.75	− 2.56	23	0.00	0.00	37.50	16.00
NYS	Hills	HDS	1.50	1.38	−0.13	− 8.33	2	0.00	0.00	2.00	0.50
NYS	Hilo	HLO	16.75	16.13	−0.63	− 3.73	20	0.00	0.00	19.00	9.38
NYS	Home Shopping Net.	HSN	5.63	5.50	−0.13	− 2.22	20	0.00	0.00	8.88	4.25
NYS	Jamesway	JMY	4.75	4.63	−0.13	− 2.63	—	0.00	0.00	7.63	2.50
NYS	K mart	KM	46.63	48.25	1.63	3.49	12	1.84	3.81	55.00	38.13
ASE	Lionel Corp.	LIO	0.31	0.31	0.00	0.00	—	0.00	0.00	1.38	0.25
ASE	L. Luria & Son	LUR	6.63	6.75	0.13	1.89	31	0.00	0.00	8.13	5.63
NYS	Melville Corp.	MES	47.88	45.75	−2.13	− 4.44	15	1.48	3.23	55.25	38.25
OTC	Meyer (Fred)	MEYR	24.50	26.00	1.50	6.12	15	0.00	0.00	29.25	16.00
OTC	Odds & Ends	ODDE	3.88	3.63	−0.25	− 6.45	15	0.00	0.00	5.50	3.25
NYS	Office Depot	ODP	22.06	22.25	0.19	0.85	72	0.00	0.00	28.50	12.63
OTC	One Price Clothing	ONPR	15.50	16.00	0.50	3.23	22	0.00	0.00	18.50	6.75
OTC	Oshman's Sport Goods	OSHM	5.00	5.13	0.13	2.50	—	0.00	0.00	7.50	3.50
OTC	OW Office Warehouse	OWWH	10.75	10.88	0.13	1.16	—	0.00	0.00	15.25	5.75
ASE	Pamida	PAM	4.13	4.25	0.13	3.03	—	0.00	0.00	5.38	2.50
NYS	Pep Boys	PBY	21.25	23.13	1.88	8.82	31	0.12	0.52	24.00	12.88
OTC	Pic 'n Save	PICN	16.38	15.50	−0.88	− 5.34	14	0.00	0.00	23.38	11.25
OTC	Price Company	PCLB	33.38	33.75	0.38	1.12	13	0.00	0.00	65.25	29.50
OTC	QVC Network (H)	QVCN	17.63	22.00	4.38	24.82	26	0.00	0.00	22.00	10.88
OTC	Rose's Stores (cl a)	RSTO	5.75	5.00	−0.75	−13.04	—	0.00	0.00	7.13	2.63
OTC	Rose's Stores (cl b)	RSTOB	5.75	5.00	−0.75	−13.04	—	0.00	0.00	7.13	2.75
OTC	Ross Stores	ROST	13.63	14.88	1.25	9.17	13	0.00	0.00	23.00	11.88
NYS	Sears	S	44.63	43.25	−1.38	− 3.08	12	2.00	4.62	48.00	32.50
NYS	Service Merchandise (L)	SME	10.88	11.63	0.75	6.90	15	0.00	0.00	11.63	5.66
OTC	S & K Famous Brands	SKFB	17.25	16.75	−0.50	− 2.90	14	0.00	0.00	19.25	12.00
NYS	Shopko Stores	SKO	15.88	15.50	−0.38	− 2.36	7	0.44	2.84	17.25	11.75
OTC	Sportstown	SPTN	15.25	17.50	2.25	14.75	350	0.00	0.00	17.50	12.13
OTC	Sprouse-Reitz	STRSQ	3.50	3.75	0.25	7.14	—	0.00	0.00	7.88	1.00
OTC	Staples Inc.	SPLS	27.00	30.25	3.25	12.04	—	0.00	0.00	35.75	16.00
OTC	SteinMart	SMRT	13.00	12.25	−0.75	− 5.77	—	0.00	0.00	14.50	11.50
NYS	Stop & Shop	SHP	14.63	15.00	0.38	2.56	—	0.00	0.00	17.88	10.88
OTC	Strawbridge & Cloth.	STRWA	24.50	23.75	−0.75	− 3.06	20	1.04	4.38	26.94	19.91
OTC	Stuarts Dept. Store	STUS	0.88	0.56	−0.31	−35.66	—	0.00	0.00	2.25	0.31
NYS	Syms	SYM	9.38	9.00	−0.38	− 4.00	12	0.00	0.00	12.63	8.38
NYS	TJX Cos.	TJX	17.13	17.50	0.38	2.19	17	0.44	2.51	20.38	13.88
NYS	Toys "R" Us	TOY	32.75	32.63	−0.13	− 0.38	28	0.00	0.00	38.75	26.00
OTC	Tuesday Morning	TUES	13.75	13.13	−0.63	− 4.55	17	0.00	0.00	18.75	7.38
NYS	Value City Dept. Stores	VCD	14.13	14.25	0.13	0.88	16	0.00	0.00	25.00	8.94
NYS	Value Merchants	VMI	16.88	16.63	−0.25	− 1.48	13	0.00	0.00	42.25	14.63
NYS	Venture	VEN	30.13	30.63	0.50	1.66	12	0.56	1.83	33.75	18.50
NYS	Waban	WBN	23.88	25.13	1.25	5.24	24	0.00	0.00	26.50	14.38
NYS	Wal-Mart Store	WMT	53.00	53.25	0.25	0.47	36	0.20	0.38	59.88	41.13
OTC	Warehouse Club	WCLB	0.56	0.50	−0.06	−11.19	—	0.00	0.00	1.38	0.25
NYS	Woolworth	Z	28.63	27.50	−1.13	− 3.93	—	1.12	4.07	34.38	23.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. (cl a) = Class A stock. (cl b) = Class B stock. Note: Office Depot completed a 2-for-1 stock split.

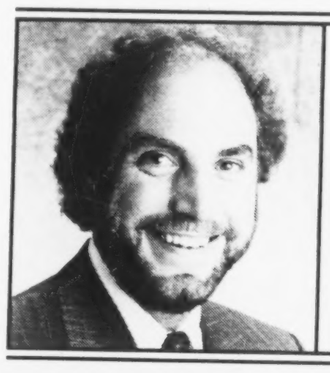
Source: Nordby International Inc., Boulder, Colo.

EDITORIAL

Wal-Mart's 10 Most 'Quotable Quotes'

It seems that *Discount Store News* has written almost everything there is to write about Wal-Mart. But that's okay, because that's *DSN*'s job, and you know as the saying goes, it's a tough job but someone's got to do it.

So, as we put together this special commemorative issue of Wal-Mart's 30th anniversary, I thought what can I write about that would be interesting, informative and fun. What I decided upon, because Wal-Mart executives have become a source of quotes to many executives, was to compile a list of my favorites. Here's my list of 'quotable quotes' direct from the executive offices in Bentonville.



TONY LISANTI
Editor

- 'We are a company of generalists. There are no superstars at Wal-Mart. We're ordinary people working in an environment that requires us to be overachievers.'—David Glass.
- 'If people believe in themselves, it's truly amazing what they can accomplish.'—Sam Walton.
- 'I had no vision of the scope of what I would start . . . but I always had confidence that as long as we did our work well and were good to our customers, there would be no limit to us.'—Sam Walton.
- 'There are no penalties for being wrong. The penalty is for not doing anything.'—David Glass.
- 'We're not striving to be a good place to work . . . we want to be the best place to work. Isn't it great that you work for a company where everyone you meet says something good about it?'—Von Johnston.
- 'People love Wal-Mart and their jobs because they are allowed to do different things, challenged to try something different, to make a mistake and to succeed.'—Chuck Webb.
- 'If we were half as good at Wal-Mart as people tell us, we would really be dangerous.'—David Glass.
- 'I have never met a great leader who lacked integrity, compromised it or didn't demonstrate it when called upon.'—David Glass.
- 'We were told that when we go into major metrotropoitan areas, this business of friendliness and the old folksy attitude we have isn't going to mean as much as it does in the small towns. To the contrary, we proved that people want to be treated nice everywhere.'—Don Soderquist.
- 'I would like to be remembered as a good friend to everyone whose lives I've touched—as their friend, as someone who has meant something to them or helped them some way. That is important. I have such a strong feeling for the folksin our company. They have meant so much to me.'—Sam Walton.

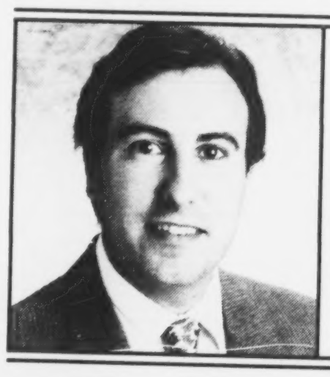
Happy 30th anniversary. Enjoy this very special issue.

BUYERS & SELLERS

This Year's IMRA Convention Rates ★★★½

★★★½ IMRA 1992 Annual Convention, "Merchandising: Making Consumers Stop, Look & Buy." The mass merchandising industry's foremost trade show, presented by the International Mass Retail Association under the direction of president Robert Verdisco and starring General H. Norman Schwarzkopf, John McLaughlin, Kenny Rogers, retailers, manufacturers, and Disney singers and dancers performing songs from "Beauty & the Beast."

Last month's IMRA convention in Orlando, Fla., was the best show put on by that trade association in the six years that I've been going to their annual confab. From the spectacular opening night floor show put on by Disney to Gen. Schwarzkopf's closing remarks, the show was upbeat, entertaining and informative.



DON LONGO
Exec Editor

Most notable, in my view, was the tremendous amount of support retailers gave IMRA this year. Nearly all the major companies in discount retailing were represented, many were active participants in the educational sessions and most spent a lot of quality time on the exhibit floor talking with representatives of their supplier companies.

It was close to a four-star convention. I deducted a half star from my review due to the much-ballyhooed consumer study which failed to entirely live up to its advance billing. The study, which set out to find out what factors make various types of consumers buy products in various types of stores, was a useful starting point to get executives thinking about how they can meet their customers needs. Particularly revealing was the potential growth of food sales in general merchandise stores and the fact that lifestyle, more than gender, determines a consumer's shopping behavior. However, it hardly offered much in the way of implementable prescriptive actions for retailers.

Also, John McLaughlin's gig is getting a bit stale. The Management Horizons economist continued to harp on its prediction of the demise of the traditional discount department store (tell that to Kmart, Wal-Mart and Target!). And, the prediction that warehouse clubs will replace discount stores is a bit simplistic when you consider the very unique nature of clubs: large percentage of products sold to businesses for resale, little continuity of goods, narrow sku selection, abysmal store ambience, etc. I think attendees would have preferred to listen to other retailers and manufacturers discuss their common concerns than to hear outsiders pontificate on the economy and retailing.

In contrast, the session on Item Merchandising, led by Wal-Mart's Bill Fields was terrific, as was the session on customer service "Disney-style." The parallels between retail stores and theme parks were never more apparent than today, when customer service is so important.

Also, the potential in sports marketing was powerfully demonstrated by representatives of Major League Baseball, the National Football League and the National Basketball Association in an informative breakfast meeting.

It was also personally gratifying to me to revisit with old friends of *DSN* like Steve Fishman of Caldor, Joe Nusim of Channel, Robert Voss (ex-of Wal-Mart and Staples) now with Grandpa's, Gene O'Donnell of Hills, Herb Fisher and Tom Kiley of Jamesway, George Jones of Rose's, Joe Ettore of Stuarts, Gene Wright of Warehouse Club, and many others, including IMRA staffers. IMRA clearly has its finest staff ever.

Congratulations to exhibitor "Best Booth" winners: Black & Decker ("Most Resourceful Booth"), Intercraft ("Most Imaginative Booth"), and Fieldcrest Cannon ("Best Display of New Products").

And, while I'm handing out kudos, make that a double congratulations to Julian Seeherman of Venture, for winning IMRA's annual Partnership Award and for his just-announced victory in voting to *DSN*'s Discounter of the Year Award (see story, page 5).

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Make sure all letters are addressed to Letters Department, Discount Store News.
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Wal-Mart Broadens Scope of International Expansion

(Continued from page 3)
ate under the four logos used by CIFRA, along with McLane's wholesale business, additional Club Aurreras—six to eight more clubs are projected by the end of next year—and Wal-Mart Super-Centers, with the latter's initial unit set to open next year in Monterrey.

These new stores include five Almacenes Aurrera combination stores, 12 Bodega Aurrera discount stores and six Superama supermarkets due to be opened within the next year, while additional expansion plans are being developed.

CIFRA will remain an independent public company, according to the two retailers' joint announcement, and own all current 29 Bodega Aurreras, 35 Superamas, and 38 Almacenes Aurrera and two Gran Bazar combination stores as well as its 72 restaurants, 54 Vips, 15 El Porton and three Italian and 28 Suburbia apparel specialty stores.

The venture is expected to have at least 30 stores in Mexico by the end of next year, generating $700 million to $800 million in sales and operating earnings in the $30 million area, according to a projection by Robert F. Buchanan, an Alex Brown & Sons financial analyst.

Harold E. Johnson has been heading up Wal-Mart's move in the international arena as senior vice president, international development. Roberto Saleo is director of Commercialicadora Mexico American, reporting to a board that is composed of Wal-Mart and CIFRA executives.

Wal-Mart's May 29 announcement expanding its venture with CIFRA came two weeks after McLane's, the discounter's subsidiary grocery distributing company, acquired a food distributing operation in England. McLane/Espana, its first thrust into Europe, began operating from its Guadalajara, Spain, base in April 1991.

Wal-Mart has been talking about its international expansion moves with buy-side security analysts who haven't discussed the discounter's plans because of confidentiality agreements, one source reported.

Randy Laney, the discounter's senior vice president, finance, and treasurer, identified Mexico, other Latin American nations and Canada as "priority" expansion targets.

Wal-Mart has long been eyeing Canada for its discount and/or Sam's Club operation, according to various Canadian sources. Its familarity to Canadian shoppers will be strengthened when a Wal-Mart and Sam's Club are opened in Niagara Falls, N.Y., late this year or early in '92 as co-anchors in a strip center that abuts a main highway between the United States and Canada.

The international expansion is seen as transforming the discounter's status from an American retailer into a new type of company, an international marketer, sourcing, distributing, selling and trading products on a worldwide basis.

President and chief executive officer David Glass stated in Wal-Mart's annual report that its move into Puerto Rico [with three stores this year] "will provide significant learning opportunities in cross-cultural merchandising and operations, as well as oceanic replenishment." The same points apply to expansions into both Mexico and Europe by Wal-Mart and its subsidiary McLane's.

The oceanic replenishment aspect of Wal-Mart's learning process may have been significantly abetted by acquisitions made by two trucking companies that are Arkansas neighbors.

JB Hunt, headquartered in Lowell Ark., is the nation's largest truckload shipper and a major Wal-Mart hauler. Hunt recently bought Votainer, a Rotterdam-based shipping company with offices in New Jersey.

Arkansas Best, located in Fort Smith, Ark., is the nation's fifth largest less-than-truckload hauler, doing 20% of its business with Wal-Mart. Best recently acquired T.M.M., a Mexico City-based shipper.

Observers see these companies as providing elements of the oceanic distribution operation that is a key to Wal-Mart's international moves.

As for McLane's move into England, it acquired Neighborhood Stores Plc., the Corby-based licensee of 7-Eleven stores that had been owned by Jardine Matherson Holdings Ltd.

Drayton McLane said the move gives McLane's "entry into a developing convenience store distribution market with more than 10,000 retail locations." McLane will initially serve the metropolitan London, central and southern England markets from its distribution center in Corby, which is located about 90 miles north of London.

The distributor is considering building a 200,000-sq.-ft. center to replace its smaller Corby facility and additional DCs to expand its operations throughout the United Kingdom, he said.

Target Results Fall Short of Mark

(Continued from page 3)
dren involved in D-H's new program of helping to train child care providers. "We invest in our communities," Macke said. "Giving is a vital part of our business strategy."

Everyday Hero, Target's apparel specialty test, "is very much a test," Macke said, with two stores, and "will be evaluated after a longer period."

No specialty concepts are on the drawing board, said Target chairman Robert Ulrich.

Target will open 40 to 50 new stores this year, for a year end total of about 500, including 11 Greatlands, mostly in California, Florida, Minnesota and Wisconsin.

A new Florida Target will open this fall in Sawgrass Mills, a 2 million-sq.-ft. off-price and outlet mall near Ft. Lauderdale. Another will open near Gurnee Mills mall, a value-priced mall outside Chicago.

The new 117,000 sq.-ft. prototype is getting closer in size to the smaller of two Greatland prototypes, 120,000 sq. ft. The larger is 135,000 sq. ft.

"So many features of Greatland are showing up in Target stores that the difference is just a matter of size," Ulrich said. The Greatland concept is close to refinement he said.

"Stores can get too large and lower customer convenience," Macke said.

Target is expanding its test of its new small-market prototype of 90,000 sq. ft. to California and Wisconsin, and adding three more in Minnesota, Ulrich said.

"We're putting stores in smaller markets than previously thought possible," he said.

The chain has no plans to name a replacement for former president Warren Feldberg, who left last year to head Marshall's, Ulrich said. And it won't make a big deal of celebrating its 30th anniversary, Ulrich said, but will conduct some advertising and observances in October.

"Target has every intention of becoming a national chain," Ullrich said, "but it won't be in the next two or three years."

It first will fill in contiguous markets, such as Chicago, on its way to the Northeast, Ulrich said. Target plans to open 10 to 11 Greatland units in Chicago next year.

Target is attempting to reduce costs by slashing inventory and using a new computer-controlled system of scheduling deliveries to its distribution centers.

Greatland stores are attempting to slash inventories by as much as 40% to 50% from Christmas levels.

OfficeMax Moves Base To Aid Expansion Plans

(Continued from page 5)
In the fall, OfficeMax will launch a major grand re-opening of the acquired stores "and if we do our job right, in six months time no one will remember the OW name."

OfficeMax will not retain former OW headquarter executives, but will offer jobs to former OW field personnel—1,500 district, regional and store management teams people.

An OfficeMax transition team has been formed to merge the two corporate cultures and a train-the-trainer program will help to bring the OW people up to speed quickly.

All of this seemed necessary to Feuer because the focus at OfficeMax "has been more on retail customer service and merchandise presentation. OW has run a leaner operation."

He did not detail the cost of the transitional programs necessary to meld OW into OfficeMax. He said the cost is a substantial, though calculated expense. "We're going to invest the money up front to get a quicker return," he said.

The acquisition of OW is only part of the 90-store chain's expansion efforts this year. OfficeMax is concentrating on developing the Long Island marketplace, New England, Philadelphia (via the OW acquisition and new store openings) and Atlanta, and backfilling in existing markets.

OfficeMax will open stores in the Long Island towns of Sayville—in the Kmart center where a Sports Authority will follow; Lawrence; Babylon, also in a Kmart center; Levittown, another Kmart center; Lake Grove; Elmont; Massapequa; Commack; Huntington; and Great Neck.

Ten stores will be opened in the Boston market by the end of the year, said Feuer. OfficeMax entered that market, Staples home turf, in January when the chain acquired five sites from Highland Superstores. New in this market is a store in Dedham. Units in Danvers, Braintree, Saugus, and Burlington will follow.

Atlanta, where OfficeMax has two stores, in Duluth and Stone Mountain, will be increased this summer, he said.

Other new stores are expected in Detroit, where the company's 10th unit is about to open, plus sites throughout Michigan and Illinois, particularly Chicago where the chain already has 14 stores. Specific new locations in the Philadelphia market have not been identified yet.

OfficeMax also recently opened a prototype test store in Nashua, N.H. The 33,000 sq.-ft. unit in the Boston market—10,000 sq. ft. larger than the typical OfficeMax—features an expanded computer and electronics area.

Following the lead of BizMart and Office Depot, OfficeMax is beefing up its computer selections and just announced it will offer an Apple system, preloaded with a software package made exclusively for OfficeMax. Full rollout of the Apple system should begin in fall.

Seeherman is Discounter of Year

(Continued from page 5)
and the success of single-category retailers who serve the mass market.

The banquet will also feature the induction of Rose's chairman Lucius Harvin III into the Discounting Hall of Fame. Harvin will join such retail luminaries as Kmart founder Harry Cunningham, Jamesway's Herb Fisher, Charlie Lazarus of Toys "R" Us, Sol Price of the Price Club, last year's inductee Stan Brenner of Fishers Big Wheel and Sam Walton in the Hall of Fame.

In addition, Vendor of the Year Wolf Schmitt, president of Rubbermaid, will also be feted, along with 63 other vendors in 21 product categories who will receive SPARC awards for excellence in serving the needs of discount retailers.

To attend the 1992 SPARC banquet, fill out and return the invitation on page 24.

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Wal-Mart Sees 'Super' Future in Store

By Tony Lisanti

FAYETTEVILLE, Ark. — Wal-Mart's first annual meeting since Sam Walton died in April was more a tribute to the chain's founder and a rally of recognition for its associates than the serious financial review and forecast typical of many of its competitors' shareholders gatherings.

The stock wasn't split as some analysts had predicted, although a record 15,000 associates, who crowded into Barnhill Arena and an adjacent facility at the University of Arkansas chanted "split the stock" several times during the meeting.

The spirit of Sam Walton prevailed during several emotional references, songs and videotapes and was particularly strengthened when Bud Walton took the stage and wooed the audience in the vintage style of his brother.

In another tribute to Sam Walton, the company formally announced a logo change and a new cheer. A star, in honor of Sam, replaced the hyphen and the saying "Give me a Sam" replaced "Give me a squigly" during the Wal-Mart cheer.

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***Wal-Mart's new supercenter** has a 40,000-sq.-ft. supermarket with a bakery, produce and meat departments.*

While little mention was given to the supercenter concept during the formal meeting, it was otherwise evident that the combination supermarket/discount store was in the spotlight and will drive the growth of the chain through the mid-1990s. In fact, president and ceo David Glass referred to it as the third leg in Wal-Mart's future.

Thousands of guests, associates and analysts were proudly paraded through two new supercenters and an expanded Sam's Club. (The Bentonville SuperCenter opposite headquarters opened only two days prior to the annual meeting June 5 while the Springdale SuperCenter and the expanded Sam's Club had opened four weeks earlier.)

The two newest supercenters, which are about 186,000 sq. ft. with a 40,000-sq.-ft. supermarket, feature a full bakery, produce, meat, deli, and cafe as well as a pharmacy, vision center, hair salon, one-hour photo service and portrait studio. The store also has expanded lawn & garden, express lube, health & beauty care and cosmetics departments. The fine jewelry department has also been expanded with a wide selection of better quality gold bracelets and rings with prices as high as $600.

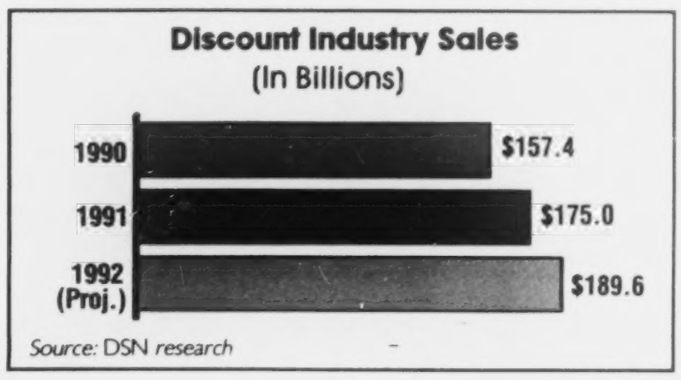
Unlike its earlier tests, the newest supercenters do not utilize warehouse-style fixturing, but instead, traditional grocery shelving. Both stores have 30 checkout registers and are open 24 hours.

There are currently 11 supercenters with 20 more

(Continued on page 9)

INSIDE THIS ISSUE

Discounting Is Hot!



Discount industry sales grew by 11.2% last year to $175 billion. *DSN's* Annual Report on the Discount Industry projects that discount sales will rise to nearly $190 billion this year. At the core of this special report is the industry's only listing of the top 175 discount retailers. This compilation of sales, operating income and store counts (including projected openings) of the nation's largest full-line discount stores, membership clubs, specialty discounters, off-price apparel chains, dollar discounters, supercenters/hypermarkets, closeouters, electronic retailers, specialty mass retailers, and leading Canadian and Mexican discount chains has been expanded this year from 150 chains. This special report begins on page 53.

Dollar Closeouters Booming

Chains Selling Everything for $1 Promise Value for the '90s

By Richard Halverson
Nationwide DSN Report

As a retailing concept, closeout stores that sell everything for a dollar are now taking off, after having plodded along slowly since the early '80s.

As John Isaac, president of the largest chain, Everything's a $1.00 (EAD) puts it, dollar stores promise to become the "value variety store of the '90s." Dollar volume will approach $500 million in 1992, including about $250 million from EAD alone, estimates Isaac, former chief executive officer of Heck's, Nitro, W. Va.

The concept is getting so popular that some manufacturers are making or tailoring goods specifically for the dollar chain market, such as downsizing and repackaging a bottle of Men's Musk cologne from D&B Products, to reduce the cost to 60 cents from $1.29. Dollar Express, Philadelphia, then can sell the off-brand cologne for a dollar and still generate a gross margin of 40%.

In another merchandising trend, national brands increasingly are supplementing imports and off-

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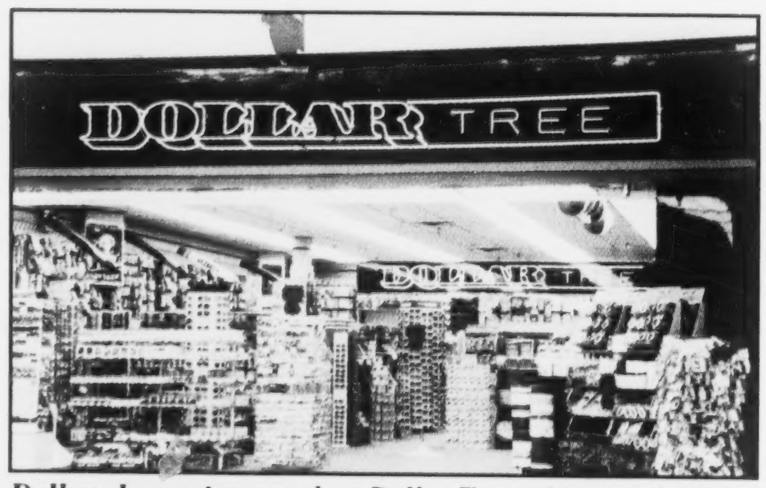

***Dollar closeouters,** such as Dollar Tree, above, and All For A Dollar, below, will hit $500 million in dollar volume in 1992, as merchandise quality and store design are upscaled.*

MIXED STATES ********************
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Controversy Shoots Down Sale of Water Guns

BOSTON — Do high-powered water toys add fuel to the flames of urban violence?

A seemingly absurd question until a few weeks ago, the issue is now hotly debated. This is the result of two violent incidents here in Bean Town involving the brightly colored toys that left one person killed and another injured. As a result, some local retailers are now giving up lucrative sales on one of the season's most popular toys.

Reaction to Boston Mayor Ray Flynn's June 8 letter to area retailers requesting they remove Laramie's Super-Soaker and other high-powered water guns from retail shelves appears mixed. Some of the retailers complying with the request say they are angry about having to relinquish sales on what obviously is a toy and not a lethal weapon nor a conduit to violent acts.

Laramie, whose Super Soaker water toy was identified in Boston as the cause of an incident that led to the shooting death of a local youth, responded swiftly to the voluntary toy ban.

In a statement also dated June 8, Laramie, while sympathizing with the friends and family of the slain youth, commented that Super Soaker—with its large size, bulky water tanks and florescent colors, "is obviously a toy" and that it hopes "cities across America will make real progress—not token measures—in solving the problems of violence that face them."

Area retailers, particularly those that are locally based, were caught in an untenable position when the Mayor requested the toys be removed from shelves. One retailer, who asked not to be identified, noted that the controversy

(Continued on page 124)

***Retailer reaction has been mixed** over the super soaker water guns with some chains pulling the toys from their shelves.* (DSN photo)

Connecticut Curbs Usage Of Item Pricing Systems

TORONTO — Connecticut retailers no longer will have to item price merchandise, provided they install an electronic shelf-pricing system.

The Nutmeg State is one of eight that require item pricing, but a new law effective Oct. 1 will allow for the exception, said the makers of Telepanel Price & Information Network, one of several competing electronic shelf-pricing systems.

Under the new law, "retailers benefit from improved operational efficiency," said Telepanel president Chris Skillen in announcing it. The legislation represents "a major validation of our industry," he said.

The Telepanel system is 100% accurate, Skillen claimed, and offers substantial savings over unit pricing. The payback would be in a year or less, he estimated.

The Telepanel system is a radio-based system that links liquid crystal shelf panels to a store's POS system to provide up-to-date pricing. Some competing systems are hard-wired, while others use a combination of hard wire and radio links to transmit prices. Loblaw's in Canada, Cub Foods in Atlanta and other supermarket operators are testing the Telepanel system in a total of 12 stores, Skillen said, but so far the vendor has lined up no discounter tests.

Manufacturer's Rep Sues Wal-Mart

HOT SPRINGS, Ark. — An Arkansas manufacturer's representative has sued Wal-Mart in Garland County Circuit Court here, alleging that its efforts last year to get vendors to stop dealing through reps interfered with his contract.

The representative, Robert W. Fowler, of Hot Springs, claims in the lawsuit filed June 16, that his rep firm, Southern Sales Group, had held a contract since 1984 to represent Royal Maid Association for the Blind.

His suit claims Wal-Mart and its officials were aware of that contract and of the reasonable expectations Fowler had of the continuance of that contract.

"That beginning in 1991 and continuing until the present, Wal-Mart, through its agents, officers and employees, embarked upon a course of dealing which includes the refusal to deal with manufacturer's representatives, and has sought to induce suppliers to cease dealing with manufacturer's representatives for service of the Wal-Mart account for the purpose, in part, of attempting to acquire the commissions which would otherwise be paid to manufacturer's representatives," his suit charges.

In his suit, Fowler claimed that his firm lost its contract with Royal Maid to supply Sam's Clubs because of Wal-Mart's actions.

Wal-Mart traditionally refuses to comment on matters under litigation, a spokeswoman said.

Fowler seeks more than $1 million in damages for Count I of his complaint, "Tortious Interference With Contract and Prospective Economic Relations," as well as $1 million in punitive damages.

In his lawsuit, Fowler is represented by Galen E. Watje, of the firm Mollerus & Watje, Bloomington, Minn.

On the same basis, Watje represented two manufacturers' reps in a lawsuit against Fingerhut, the Minneapolis mail-order concern, when it, too, ordered its vendors three years ago to deal directly.

Fingerhut settled the lawsuit last year for an undisclosed amount.

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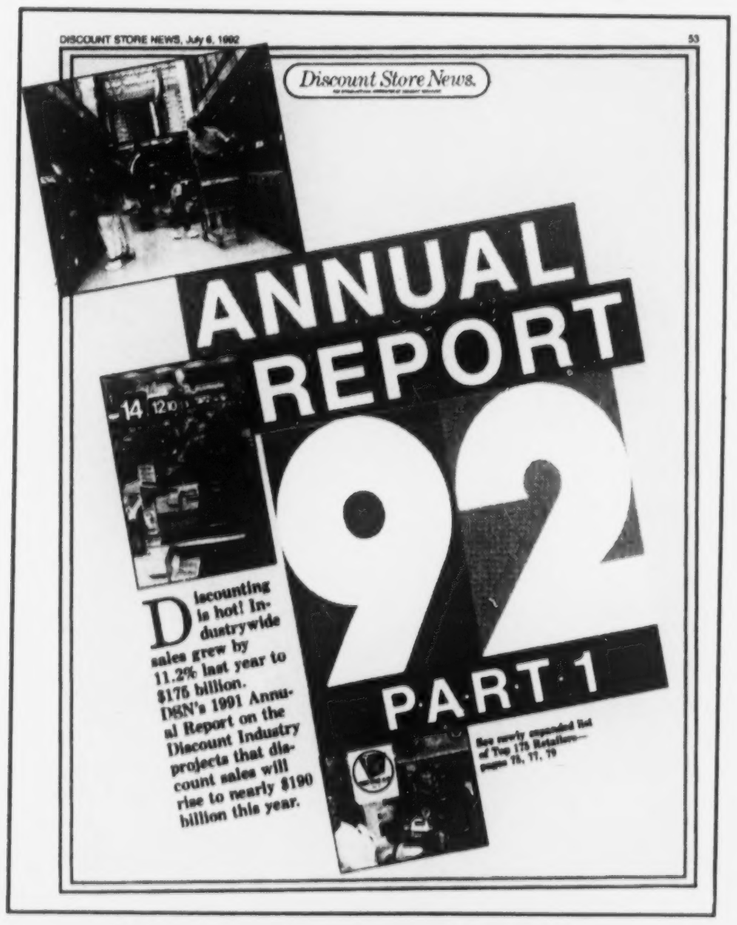
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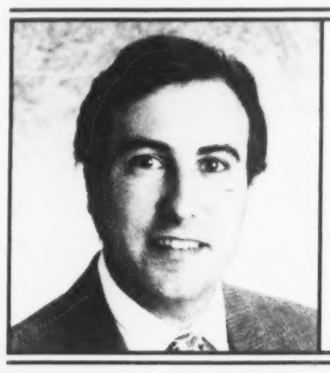
BUYERS & SELLERS

Compiling a Census Retailers Count On

Each year, *DSN* compiles the most reliable set of statistics on discount retailing available anywhere. The project is an enormous one, requiring the efforts of the entire *DSN* editorial staff.

Data collection officially begins in the spring, when questionnaires are faxed to the presidents and chief financial officers of the top discount retailers. Follow-up phone calls are made by all *DSN* editors until completed questionnaires are filled out, listing, at the minimum: sales, operating income (for public companies), store counts for the previous, current and coming years and average store size. For many retailers, *DSN* also obtains such additional information as: sales per square foot, number of stores with POS scanning, firms using EDI with suppliers and the number of vendor partners involved with them on Quick Response programs, sales breakdown by product category, number of employees, advertising expenditures and more.



DON LONGO
Exec Editor

The key value of *DSN's* Annual Report on the Discount Industry is its apples-to-apples comparisons of store types and profitability. For example, Wal-Mart's total corporate sales last year were $43.9 billion. *DSN* lists Wal-Mart's discount store sales for 1991 at nearly $31.7 billion. It was easy to break out the $9.4 billion in sales reported by Sam's Club, but it takes a very careful analysis of Wal-Mart's publicly-filed financial documents to get a pure discount store sales figure due to Wal-Mart's other holdings, such as its McLane wholesaler company and its small, but growing SuperCenter division.

Kmart's numbers were a bit easier to uncover this year because the retailer finally decided to report separate operating results for all its specialty divisions. Nevertheless, sales from Super Kmart Centers and Meldisco shoe wholesale operations had to be separated from the discount store figure.

Also for comparative reasons, *DSN* does not list net income. Rather, we report operating income from continuing operations before taxes and extraordinary items.

Sometimes collecting the information from tight-lipped cfos is not the toughest problem our editors face. Nor is it always so difficult to separate sales figures among various divisions of a company. For some retailers, just figuring out how to classify them is the biggest challenge.

To qualify for *DSN's* list of the top discounters, which was expanded this year to 175 from 150, a chain must fit the broad definition of a discounter, ie., high volume operations that target the mass market with nationally branded products priced below manufacturers' suggested list.

The fun begins when we begin to classify the retailers by type of discounter. Meijer, for example, is clearly a hypermarket/supercenter, but Fred Meyer would argue that it is neither a hypermarket nor a discount department store. Pay Less N.W., Kmart's drug store subsidiary, remains on this year's list due to its high percentage of general merchandise and apparel sales in comparison to conventional drug chains like Walgreens (not a discounter). However, with Pay Less trending back to its drug store roots as new discount competition enters the Pacific Northwest, it would appear that a re-evaluation of Pay Less is warranted next year.

Chains like Family Dollar and Dollar General are neither discount department stores, variety stores or closeouters; thus, the Dollar Discount Store classification.

After all the information is collected, it is stored on our computer database. Then, the chains are sorted by type of discounter, and our editors are finally able to analyze the sales results, identify trends and project future developments in each of the 17 special discount store categories tracked by *DSN*. For many retailers and manufacturers, *DSN's* Annual Report issue is their definitive yearbook on discount retailing. Happy reading!

Editor Tony Lisanti's column returns to this page next issue.

TAKING STOCK

Foreign Expansion Odyssey Lures Stores

International expansion is becoming a siren song for retailers.

But before setting sail, the retailer must decide on how he wants to approach going on a voyage to avoid running aground on foreign shoals.

Here are the routes being tackled by some American chains as they venture forth.

The first is to drop its own anchor overseas. Toys "R" Us set up its own shop when it expanded into Canada, the United Kingdom, Germany and France. Advanced consumer markets and similar merchandising outlooks abetted the toy retailer's ability to plant its operation in these countries, with a mutual language a plus in Canada and the United Kingdon and no barrier in Germany and France.

ARTHUR MARKOWITZ
Senior Editor

But Toys "R" Us followed a different tack—joint venture—when it hoisted its standards in the Far East. In Japan, Taiwan, Hong Kong and Singapore, consumer buying habits, government regulations and languages that are markedly different from those of its American operation all pointed to joint sailing with experienced and knowledgeable local pilots as the best expansion route.

Kmart has also pursued various foreign expansion programs. Its first move (while still S.S. Kresge) was to open and operate its own stores in Canada. It then purchased a major, but non-controlling, stake in Australia's largest retailer, exchanging merchandising information with Cole Myer Ltd. for an equity share in and dividends from the down-under company.

Kmart's latest move, venturing into Europe through the outright acquisition of stores in Czechoslovakia, is much riskier. Its direction: either taking a highly profitable voyage from what the discounter sees as a developing consumer market with a highly educated work force and little significant retail competition, or foundering and possibly sinking on the shore of the ongoing political and ethnic ferment in the former Iron Curtain country that's poised to split apart.

Wal-Mart has followed still another course. Its initial foreign expansions were through joint ventures: its deal last year with Cifra N.A. that resulted in the opening of two Club Aurreras warehouse units in Mexico, followed by its expanded agreement last month to jointly unveil a host of clubs, discount stores and combination food/general merchandise units south of the border. The discounter's long relationship with Cifra as well as its experience merchandising to Mexican consumers in Texas border towns eased the way for teaming up with the Mexican retailer.

But Wal-Mart's Mexico move isn't its only foreign expansion. McLane, Wal-Mart's food wholesale arm, had branched into Europe through a joint venture with a Spanish wholesaler prior to being acquired by the discounter in 1990. McLane plunged deeper into Europe in May when it acquired a food wholesaler in the United Kingdom.

Wal-Mart's foreign voyages are similar to its domestic treks. It first sends out probes to learn the merchandising ebbs and flows of a market and then follows up with the rapid unfurling of a fleet of stores. The joint ventures in Mexico and through McLane in Spain are information and experience gathering expeditions in unfamilar oceans to ascertain shoals and safe anchorages.

McLane's acquisition in England denotes the final objective of Wal-Mart's foreign voyages: direct ownership and management of the overseas operation. It's just a matter of time before Wal-Mart flies just a single flag over its growing international business.

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117-35 Striley Drive, Ashton, Md. 20861
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Manager, Correspondent **Kenneth Rankin**
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Dollar Concepts Create High Volume Sales

(Continued from page 1)
the new dollar chain that Consolidated Stores launched last year, is taking the high road, designing stores fit to be seen in upscale, enclosed malls. Their stores stand in marked contrast to the typical, hard-scrabble closeout store, operating with hand-me-down fixtures out of some bargain-basement strip center.

Their names are easy to confuse, All For One, Just a Buck, Dollar Tree, Only One Dollar, All For A Dollar, Everything's a $1.00, Dollar Discount Stores. But they mustn't be confused with full-line discounters with dollar in their names, such as Family Dollar and Dollar General, which sell goods at a range of prices, even though the top price point is generally about $20 at those units.

In comparison, the dollar closeout stores operate under a single price, and if a dollar is too much for a "widget," they sell two or three widgets for a dollar.

A privately owned chain, 99¢ Only, claims to have pioneered the concept with the first store in 1982, said buyer Karen Schiffer.

"The merchandise is getting better in terms of value to the customer," Schiffer said. "It's no longer just the novelty of selling everything for a dollar."

99¢ Only operates 28 stores and expects to end the year with 32.

The typical dollar store ranges from 3,000 sq. ft. to 4,000 sq. ft. and stocks 500 to 700 items at any given time. EAD is testing, however, six "superstores" that run as large as 10,000 square feet. Moreover, Dollar Tree stores stock 1,800 to 2,000 skus.

Dollar Express started with 3,500-sq.-ft. stores but now is looking for stores as large as 11,000 sq. ft., said Howard Savage, executive vice president.

Typical offerings including candy, snacks, costume jewelry, toys, tools, housewares, health and beauty care, books and hardware.

Sales at EAD stores are averaging $800,000 a year, for sales of $300 per square foot of selling space, Isaac said. Gross margins are running 47%.

Stores average about 600 customers per day, with an average ticket of about $4, he said.

Sales totaled $127.7 million in 1991, compared to $7.8 million in 1989, when its parent, Value Merchants, Milwaukee, acquired the chain.

EAD expects to open 75 to 100 more stores a year for the next several years, Isaac said.

"Dollar concept stores are still a very young industry," Isaac said. Eventually, there will be a shakeout, Isaac predicted.

But with so many real estate opportunities available, the industry can expand for five to 10 years before competition builds up, he said.

EAD operates in 35 southeast, midwest and western states and will enter Arizona, California, Colorado and several more midwest states this year, Isaac said.

To support its store expansion, EAD is opening a 350,000-sq.-ft. distribution center in San Francisco on top of its 756,000-sq.-ft. DC in Indianapolis.

"People want value," said Doug Perry, chairman and ceo of Dollar Tree, "and we sell value as well as assortment."

Dollar Tree, Norfolk, Va., operates 215 stores, including 25 under the name Only One Dollar. Opening one or two stores a week, it expects to end the year with 260 in 20 states, ranging from New York and New Jersey to Virginia, Kentucky, Indiana and Ohio.

"I don't see any limit," Perry said.

"For sure," manufacturers are producing goods for the dollar market, Perry said. "Buyers talk about it all the time," he said. Manufacturers like the size of the market and want to get a piece of it, he added.

Margins for dollar stores are lower than for full-line closeout stores, Perry said. "We're always fighting to keep margins up."

Suggesting how dollar stores have changed, All For One operates stores in some of the finest malls in America, claimed Albert J. Bell, senior vice president, real estate for its parent, Consolidated Stores in Columbus, Ohio.

Those include Twelve Oaks, Mall, Detroit, City Center, Columbus, Belden Village Mall, Canton, and Kenwood Towne Centre, Cincinnati, Bell said. Next month, All For One will open a 4,000-sq.-ft. unit in Mall of America, the nation's largest mall that is opening outside Minneapolis Aug. 11.

(Continued on page 50)

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Dollar Concept Closeout Chains

Chain Name	Owner	Headquarters	Expected Year End Store Count
Everything's a $1.00	Value Merchants	Milwaukee	390
Dollar Tree	Only One Dollar	Norfolk, Va.	260[1]
All For One	Consolidated Stores	Columbus, Ohio	155
All For A Dollar	Public Company	Springfield, Mass.	112
Dollar Bills	Private	Crestwood, Ill.	80
Dollar Express	Private	Philadelphia, Pa.	43
99¢ Only	Private	Los Angeles, Calif.	32
98 Cents Clearance Center	Step Ahead Investments	Sacramento, Calif.	23
Dollar Discount Stores	Private	Philadelphia, Pa.	12[2]
Just A Buck	Private	Middletown, N.Y	12

[1]Includes 25 stores under name, Only One Dollar
[2]All franchised

Source: DSN research

Dollar Chains Emerge As Value Stores of '90s

(Continued from page 44)

To make sure its stores are welcome in malls, All For One retained the design services of Retail Planning Associates, Columbus, Ohio.

Design features include dump basket fixtures on wheels that roll in and out of the back room for ease of restocking, said John Bradford, RPA director of marketing.

Upscale design features include paper mache mannequins for window displays and a wave baffle ceiling design intended to make shoppers exclaim, "I can't believe this is a dollar store," Bradford said.

All For One expects to end the year with 155 stores, Bell predicted, and open about 150 more next year. "There are an infinite number of strip centers and malls," he said.

All for One counts Rubbermaid, Mattel, Duracell, Rustoleum, Crest, Flex, Brach's and Junior Mints among its national brand offerings, Bell said.

As the nation's largest retailer and wholesaler of closeout goods, Consolidated expects to have no difficulty buying enough merchandise to stock its dollar chain, Bell said.

Mall operators are anxious to rent empty stores, said Marty Effron, chairman and ceo of All For a Dollar, Springfield, Mass., "but they insist on classier stores" ADLR went public this spring to raise some $12.5 million for expansion.

Dollar store chains have had to dress up their stores and replace "schlock merchandise" with a better grade of goods, Effron said. "The mix of brands is getting better," Effron said. Five years ago, mall operators wouldn't have touched a dollar store, he said. Most of ADLR's 95 stores are in enclosed malls, Effron said. ADLR expects to end the year with 112 units, compared to 63 at the end of 1991.

Mac Frugal's (formerly Pic 'N' Save), the nation's second largest closeout chain based in Dominguez, Calif., has no plans to start a dollar chain.

Of the other privately held dollar chains, Dollar Bills, Crestwood, Ill., is the largest, with a year-end store count expected to hit 80 in eight states ranging across the midwest to Virginia and Maryland.

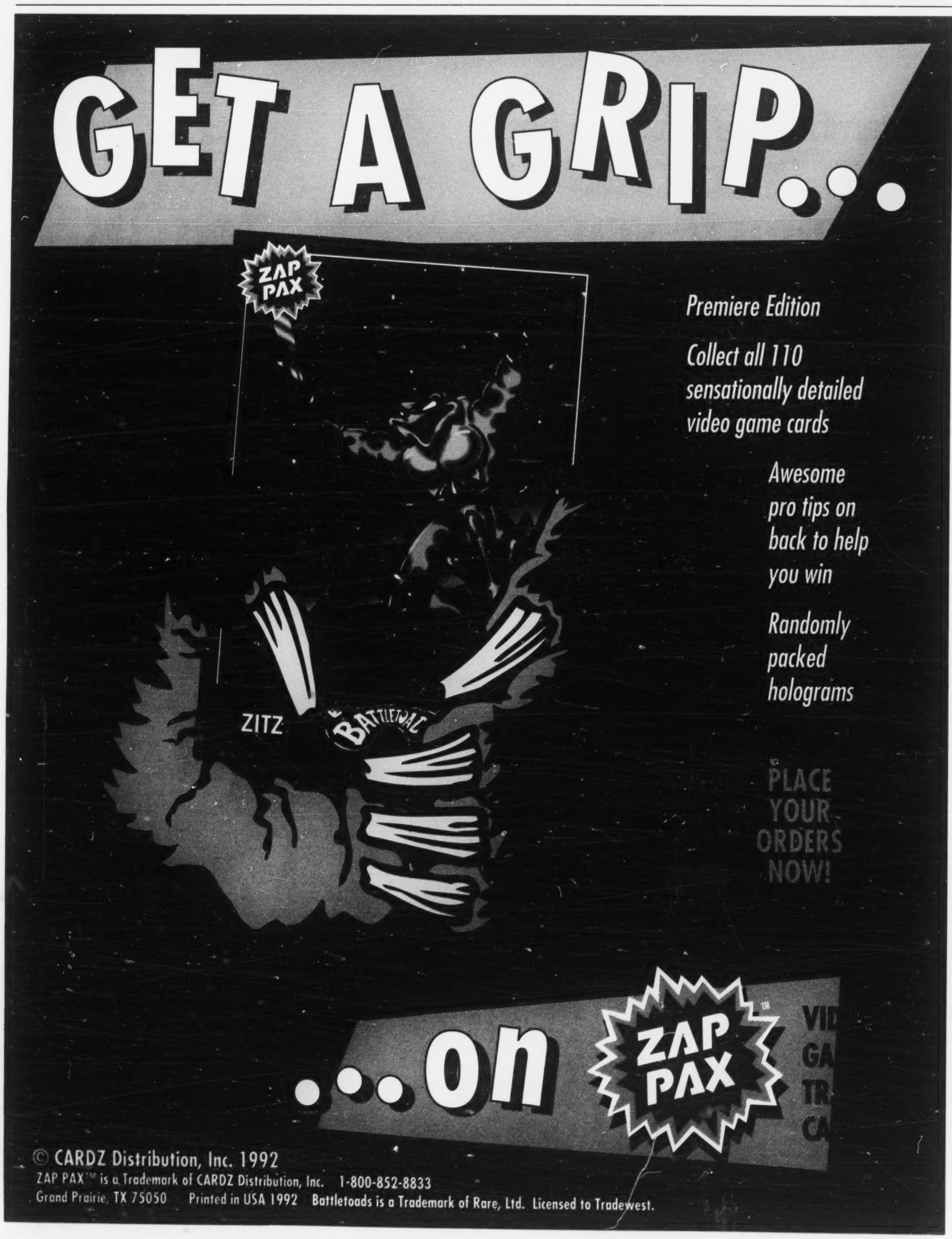
Hundreds of dollar stores are popping up in New York, said Steven Bakst, president of Just a Buck, Middletown, N.Y. The chain operates seven units and expects to open eight more by year end.

National brands, such as Revlon, Salon Selectives, Adidas (crew socks), S.C. Johnson, Stanley and Elmers, account for about 25% of sales, Bakst said. Imports and domestic goods are split about 50-50.

Just a Buck buys some of its goods in bulk without packaging.

A bakery supplier is making a special, 14-ounce pound cake specifically for his chain, Bakst said.

Dollar stores account for a "lot of dollars, one at a time, Bakst said.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THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

ANNUAL REPORT

'92 PART 1

Discounting is hot! Industrywide sales grew by 11.2% last year to $175 billion. DSN's 1991 Annual Report on the Discount Industry projects that discount sales will rise to nearly $190 billion this year.

See newly expanded list of Top 175 Retailers— pages 75, 77, 79

DISCOUNT INDUSTRY ANNUAL REPORT

Most Discount Sectors See Healthy Sales Gains in '91

Despite a stubborn national recession that deprived many retailers of profit growth for the second year in a row and caused others to fall into bankruptcy, the discount store industry posted an 11.2% sales gain in 1991 over 1990.

In fact, with 1991 sales of $175 billion, the discount store industry surpassed even *DSN*'s own aggressive forecast that sales would approach $170 billion.

The industrywide sales growth was largely the result of the growth in warehouse clubs, which recorded a 30.8% sales gain in 1991. This record sales pace more than compensated for the 9.7% sales decline recorded by catalog showrooms, an industry in decline since 1990.

The strong performance of the warehouse clubs served to bolster the entire discount store industry, which recorded gains in all but the catalog sector, albeit much smaller increases.

So strong were the individual sales performances of the nation's four leading clubs—Sam's Club, Price, Costco and Pace—that they are now among the top 10 discounters in the United States. In fact, Sam's Club, the largest of the clubs, switched places with Target this year as the No. 4 discounter in the country, and Pace, in the No. 10 slot, jumped five places from the 1990 survey. Price stayed even in the No. 6 spot although its sales jumped 24.8% over 1990.

These facts are only a few of the many revealed from compiling data for the 1991 annual census report. This issue, Part 1, provides insight into the size and scope of the discount store industry by sales, operating income, store counts (including projected openings) of the nation's largest full-line discount department stores, membership warehouse clubs, off-price apparel chains, dollar discounters, hypermarkets and superstores, closeouters, specialty discounters (such as toy, office superstores and consumer electronics retailers) electronic retailers and specialty mass retailers (Sears and Montgomery Ward.)

This census report also provides insight into the inner workings of the entire discount store industry by specific performance measures such as sales per square foot and events that shape the industry like mergers, acquisitions, initial public offerings and Chapter 11 bankruptcies.

DSN also has made some additions to the annual census report. For the first time, home specialty discounters such as Linens 'N Things and Bed Bath & Beyond are included in the survey.

The centerpiece of *DSN*'s annual census coverage, the list of top discounters, has been expanded from 150 companies to 175 retail chains this year each with sales of at least $30 million.

Part 2 of the census report (slated for the July 20 issue) focuses on departmental sales, inventory turns, gross margins, sales per store and sales per square foot data on the nation's top chains, plus a state-by-state count of all discount stores, clubs, catalogers, and specialty mass retailers.

What is clear in this year's report on the discount industry is the strong impact the recession has played on sales, profits and store growth of the industry's weakest companies. For example, Ames, Hills, Stuarts, Best Products, and Lionel Leisure are still in Chapter 11 after one year and five other chains made the list this year. Fourteen chains made the liquidation list in the current survey, up from seven a year ago.

Sales gains by the nation's top chains also took it on the chin this past year. Increases were recorded by 129 of 175 companies in 1991 compared to 121 of 150 companies in 1990.

Profit increases are much more difficult to calculate since so many chains do not report earnings. However, 1991 marked both sales and earnings declines within the top 10.

This year, Sears, with its highly publicized troubles and personnel cutbacks, posted a 0.1% sales decline in 1991 but an operating income gain of a whopping 111.7%. At Target, a 1.7% profits decrease was reported on a 10.6% sales gain.

In the top 10, sales rose to $120.25 billion in 1991, up 14.3%.

In the top 25, sales rose 12% to $153.25 billion; with the top 50 chains, there was an 11.6% increase to slightly less than $175.2 billion. For the top 100, 150 and 175 chains the increases were 11.2%, 11.1% and 11%, respectively.

For all full-line discount department stores, which includes supercenters, dollar discounters and closeouters, 1991 sales totaled $99.7 billion, up 8.4% from 1990. For 1992, *DSN* is projecting sales to rise 5.2% to $104.9 billion.

In descending order of sales, *DSN* has calculated the following results for 1991 and sales projections for 1992:

- Warehouse club sales totaled $28 billion in 1991, an increase of 30.8%. In 1992, sales are projected to be $35 billion, up 25%;

(Continued on page 108)

Specialty Discounters

	Sales (In Billions)	% Change
1987	$19.0	—
1988	22.1	+16.3%
1989	23.4	+ 5.8
1990	24.8	+ 5.9
1991[1]	27.6	+11.3
1992[1](proj.)	29.0	+ 5.1

[1]Includes Home Specialty Discounters.

Source: DSN research

Full-Line Discount Dept. Stores[1]

	Sales (In Billions)	% Change
1987	$ 79.8	—
1988	83.7	+4.8%
1989	87.2	+4.1
1990	92.0	+5.5
1991	99.7	+8.4
1992 (proj.)	104.9	+5.2

[1]Includes supercenters, dollar discounters and closeouters.

Source: DSN research

Discount Industry Sales[1]

	Sales (In Billions)	% Change
1987	$127.4	—
1988	137.3	+ 7.8%
1989	146.5	+ 6.6
1990	157.4	+ 7.4
1991	175.0	+11.2
1992 (proj.)	189.6	+ 8.3

[1]Includes full-line discount department stores, supercenters, dollar discounters, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters.

Source: DSN research

Catalog Showrooms

	Sales (In Billions)	% Change
1987	$6.9	—
1988	7.2	+4.3%
1989	7.5	+4.1
1990	7.2	(4.0)
1991	6.5	(9.7)
1992 (proj.)	6.4	(1.5)

( )—Decline

Source: DSN research

Warehouse Clubs

	Sales (In Billions)	% Change
1987	$11.8	—
1988	13.9	+17.7%
1989	17.4	+25.1
1990	21.4	+22.9
1991	28.0	+30.8
1992 (proj.)	35.0	+25.0

Source: DSN research

Apparel Off-Pricers

	Sales (In Billions)	% Change
1987	$ 9.9	—
1988	10.5	+ 6.0%
1989	11.0	+ 4.7
1990	12.0	+ 9.0
1991	13.2	+10.0
1992 (proj.)	14.3	+ 8.3

Source: DSN research

Four warehouse club chains, *led by Sam's Club (above), have climbed to prominence among the top 10 discounters in the U.S.*

METHODOLOGY

Discount Store News' Annual Report on the Discount Industry is the most comprehensive, accurate and most widely quoted study on discount retailing.

Part 1 reports sales, operating profits and store counts on the top 175 discount retailers in the U.S. *DSN*'s Top 175 list includes discount department stores, warehouse clubs, catalog showrooms, hypermarkets and supercenters, off-price apparel chains, dollar discount stores, closeout store chains, multidepartment specialty mass retailers and specialty discounters in toys, sporting goods, office supplies, consumer electronics, automotive aftermarket and, new this year, home specialty chains. Separately, the report profiles the associated mass retail segments of variety stores, craft chains, deep discount health & beauty care chains, and special reports on Canadian and Mexican retail markets.

The data for this issue was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 250 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, historical performance and other sources. This year's report contains some changes from last year's because some firms chose to update figures they reported last year. *DSN* published only the updated figures. Other changes in classifications of retailers (such as when a chain alters its merchandising philosophy and is reclassified into a different retail segment) may also affect previously reported figures.

IPOs Replace LBOs as Restructuring Tactic

By Richard Halverson

Initial public offerings to raise equity took over the retail restructuring scene over the past 18 months, as leveraged buyouts, a key tactic of past years, fell out of favor.

Much of the $1.45 billion raised through IPO's went either to pay off debt or to cash in entrepreneur's profits, rather than to fund store expansion.

But the IPO market is cooling, as once-burned investors cast a wary eye on new offerings. As a consequence, most new stock prices are easing from original expectations.

As a sign of that, Jay Stein, founder of Stein Mart, changed his mind about selling 750,000 of his own shares when his company sold a minority stake in the off-price apparel chain to the public in May.

Value City abandoned a planned additional stock offering to finance the $23 million GB purchase from their common parent, Schottenstein Stores, for conversion to the Value City format. Instead, Value City turned to the banks for the money to convert the GB stores.

During the past year and a half, 20 discounters went public and another, Tops Appliance City, has filed a registration to go public. (That deal was still pending at press time.)

In comparison, eight retailers have gone public in the previous 18 months.

ShopKo accounted for the largest IPO of the period, when Super Valu, its supermarket parent, sold a 44% stake in the regional discounter for $247.5 million. When spinning off ShopKo, Super Valu retained ownership of the two Twin Valu hypermarkets ShopKo had started.

Bradlees, another spin-off by a supermarket parent, Stop & Shop, accounted for the second largest discounter IPO, $176 million for 100% of the chain.

At the other end of the spectrum, Odd's N' End's, a closeout chain in Buffalo, N.Y., raised $5.3 million to pay down debt and expand the chain.

No management-led leveraged buyouts occurred during the 18-month period examined, compared to three in the previous period. One of those, Dot Drug, an LBO of Wal-Mart's deep discount drug chain, went out of business in January 1992.

Mergers and acquisitions continued at a fairly consistent pace, with 14 chains changing hands in this year's census reporting period, compared to 18 last period.

Once again, Kmart demonstrated by acquiring all but 7% of OfficeMax that it would rather buy specialty chain expertise than try to develop it in-house. Earlier, it had sold its Office Square office products chain to OfficeMax in exchange for an initial 22% stake.

The shakeout in the office products field continued with the acquisition of two other chains in the past 12 months: OW Office Warehouse, 46 stores, by OfficeMax for conversion; and WORKplace, 11 stores, by Staples.

One of the major acquisitions of the past year was Child World by Avon Investors. At press time, the toy chain was working to save itself from liquidation by trying to join forces with Lionel Kiddie City, also in Chapter 11.

Child World declared Chapter 11 bankruptcy this May, and received bankruptcy court approval last month to liquidate its remaining 71 stores if its efforts to merge with Lionel fails. Its demise appeared imminent at press time.

Toys accounted for another of the 14 acquisitions when K&K Toys sold its 136 stores to Melville for conversion to the Kay-Bee Toys name.

Two other acquisitions are in the works but incomplete at press time.

A Los Angeles investor group has agreed to buy the three sporting goods chains operating 267 stores that Pacific Enterprise owns through its Thrifty Corp. subsidiary: Big 5, MC Sporting Goods and Gart Bros. And Super Valu has agreed to purchase Wetterau, the grocery wholesaler that owns Laneco, a chain of 14 combination grocery and general merchandise stores.

By category, regional catalog showrooms accounted for the largest number of discounter dissolutions over the past year, five out of 14. They are: W. Bell, Foland's, The Present Co., E.H. Tepe and Value House. Arthur's is also hanging on with just one store, down from 11, and Brendle's has gotten out of the catalog showroom field and is changing to a jewelry and giftware concept.

Best Products is still operating under the protection of Chapter 11 bankruptcy, which it filed in January 1991.

Consumer electronics chains accounted for two liquidations: Polk Bros., Chicago, and Newmark & Lewis, New York.

L.A. Joe's, which Jordache built on the remnants of the Heck's chain, Nitro, W. Va., closed its doors back in February under new owners.

The most spectacular retail failure was that of New York-based Alexander's. Upon filing Chapter 11 bankruptcy in

(Continued on page 121)

Retail Restructurings Since January 1991

Initial Public Offering

Public Chain	Date	Public Stake	Amount Raised
Tops Appliance City[1]	June 1992	NA	$30 million
All For A Dollar	May 1992	37.2%	18 million
Bradlees	May 1992	100.0%	176 million
Stein Mart	May 1992	26.7%	42.3 million
SportsTown	May 1992	41.4%	22.8 million
Bed Bath & Beyond	April 1992	40.0%	104 million
Ben Franklin	April 1992	33.3%	9 million
Fred's	March 1992	27.90%	52.2 million
Odd's N' End's	February 1992	39.6%	5.3 million
Stop and Shop[2]	November 1991	33.0%	212.5 million
Goody's Family Clothing	November 1991	36.5%	59.3 million
ShopKo	October 1991	54.0%	247.5 million
Smart & Final	August 1991	37.7%	95 million
Rag Shop	June 1991	33.3%	9.4 million
Hi/Lo Automotive	June 1991	33.5%	38 million
Value City	June 1991	25.0%	64 million
Filene's Basement	May 1991	24.3%	70 million
AutoZone	May 1991	10.0%	85 million
OW Office Warehouse	May 1991	46.5%	23 million
Caldor	April 1991	30.7%	108 million

[1]IPO filed, not yet issued at press time.
[2]Bradlees parent

Liquidations

Chain	Date	Units Left at End
Polk Bros.[1]	June 1992	5
The Present Co.	June 1992	24
E.H. Tepe	June 1992	10
Foland's	May 1992	6
Alexander's[2]	May 1992	11
L.A. Joe's[3]	February 1992	71
Newmark & Lewis	January 1992	26
Dot Drug[4]	January 1992	14
W. Bell	December 1991	8
Value House	December 1991	5
Crown Auto	May 1991	35
Office Stop	May 1991	5
HQ Office Supplies Warehouse	April 1991	11
Sky City	Jan. 1991	55

[1]Announced in June plans to liquidate in 1992; has closed four of five units and will close remaining store in the near future.
[2]Liquidating all retail stores upon filing Chapter 11 to become a real estate operator.
[3]Previously Heck's until purchased, renamed and remerchandised by Jordache.
[4]Deep discount drug chain; a management-led leveraged buyout from Wal-Mart in 1990.

Mergers and Acquisitions

Acquired Chain	Acquirer	Date	Units	Price	Fate of Chain
Big 5, MC Sporting Goods, Gart Bros.[1]	Leonard Green Associates	6/92	267	NA	Undetermined
Laneco[1]	Super Valu	6/92	14	NA	Unchanged
OW Office Warehouse	OfficeMax	6/92	46	$76M	Converted to OfficeMax
GB Stores	Value City	5/92	17	$23M	Converted to Value City
WORKplace	Staples	4/92	11	NA	Unchanged
Shoe City[2]	Pic 'N Pay	2/92	325	$18M	Unchanged
Bargain Town[2]	Variety Wholesalers	2/92	67	NA	Unchanged
OfficeMax	Kmart	11/91	79	NA	Unchanged
K&K Toys	Melville	10/91	136	NA	Converted to Kay-Bee Toys
Child World	Avon Investors	6/91	150	NA	Name Unchanged
BizMart	Intelligent Electronics	5/91	59	$192M	Name Unchanged
O.P. Club	The Office Place	5/91	19	NA	Both Names Survive
Big & Tall[3]	J. Baker	2/91	170	NA	Name Unchanged
Price Savers	Kmart	1/91	17	NA	Converted to Pace

[1]Agreement to purchase signed: deal remains pending at press time.
[2]Acquired out of bankruptcy from Enstar, Montgomery, Ala.
[3]Big & Tall men's store division acquired out of bankruptcy from Casual Male Corp.

Merchandising Concept Changes

Office Club, under its new owner, Office Depot, ceased to exist as a separate entity by May 1992, when Office Depot completely converted all Club stores to the superstore format.

Brendle's dropped its catalog showroom book for 1992 and is changing its concept to jewelry and giftware specialty retailing.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Top 175 Discount Retailers

Rank 1991	Rank 1990	Chain, Headquarters	Code	Sales (In Millions) 1991	Sales (In Millions) 1990	Percent Change	Earnings* (Loss) (In Millions) 1991	Earnings* (Loss) (In Millions) 1990	Percent Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93
1	1	**Wal-Mart,**[1] Bentonville, Ark.	DDS	$31,667	$25,496	24.2%	$2,553.0	$2,043.0	25.0%	1,573	1,720	1,880
2	2	**Kmart,**[2] Troy, Mich.	DDS	24,749	24,144	2.5	1,367.0	1,257.0	8.8	2,205	2,249	2,308
3	3	**Sears,**[3] Chicago	SMR	19,805	19,823	(0.1)	163.0	77.0	111.7	863	868	875
4	5	**Sam's Club**, Bentonville, Ark.	CLUB	9,430	6,579	43.3	NA	NA	—	148	208	248
5	4	**Target**, Minneapolis	DDS	9,041	8,175	10.6	458.0	466.0	(1.7)	420	463	508
6	6	**Price Club,**[4] San Diego	CLUB	6,598	5,286	24.8	213.8	199.2	7.3	66	77	91
7	7	**Montgomery Ward**, Chicago	SMR	5,600	5,128	9.2	NA	NA	—	333	356	370
8	9	**Costco,**[5] Kirkland, Wash.	CLUB	5,216	4,060	28.5	137.7	93.0	48.1	69	82	100
9	8	**Toys "R" Us,**[6] Rochelle Park, N.J.	TOY	4,500	4,180	7.7	498.0	473.0	5.3	451	497	542
10	15	**Pace**, Englewood, Colo.	CLUB	3,646	2,295	58.9	39.0	12.0	225.0	78	87	115
11	12	**Meijer**, Grand Rapids, Mich.	HYPER	3,500	3,000	16.7	NA	NA	—	57	65	72
12	10	**Service Merchandise**, Nashville, Tenn.	CAT	3,400	3,435	(1.0)	299.2	294.8	1.5	346	359	376
13	11	**Ames,**[7] Rocky Hill, Conn.	DDS	2,819	3,109	(9.3)	(282.4)	(806.0)	(65.0)	455	371	371
14	14	**Circuit City**, Richmond, Va.	CE	2,790	2,367	17.9	124.1	91.4	35.8	228	229	229
15	13	**Fred Meyer**, Portland, Ore.	HYPER	2,700	2,400	12.5	86.8	67.5	28.6	97	94	98
16	16	**Marshalls**, Andover, Mass.	APP	2,358	2,183	8.0	NA	165.0	(100.0)	386	411	428
17	18	**T.J. Maxx,**[8] Framingham, Mass.	APP	2,180	1,900	14.7	180.9	160.6	12.6	392	437	482
18	23	**Pay Less NW**, Wilsonville, Ore.	DRUG	1,892	1,642	15.2	90.0	77.0	16.9	321	401	429
19	21	**Caldor**, Norwalk, Conn.	DDS	1,868	1,766	5.8	8.9	7.1	25.4	122	128	136
20	20	**Bradlees,**[9] Braintree, Mass.	DDS	1,772	1,772	0.0	65.6	57.8	13.5	130	129	127
21	17	**Hills,**[10] Canton, Mass.	DDS	1,680	2,140	(21.5)	56.6	67.7	(16.4)	214	154	154
22	22	**ShopKo,**[11] Green Bay, Wis.	DDS	1,648	1,521	8.3	81.0	73.0	11.0	104	109	111
23	25	**Venture**, O'Fallon, Mo.	DDS	1,522	1,421	7.1	65.8	53.8	22.3	79	84	93
24	19	**Best Products,**[12] Richmond, Va.	CAT	1,438	1,842	(21.9)	(36.5)	(284.3)	(87.2)	195	160	153
25	27	**BJ's Wholesale Club,**[13] Natick, Mass.	CLUB	1,432	1,150	24.5	22.6	11.3	100.0	27	29	39
26	26	**Western Auto,**[14] Kansas City, Mo.	AUTO	1,425	1,300	9.6	NA	NA	—	504	548	600
27	24	**Rose's**, Henderson, N.C.	DDS	1,423	1,525	(6.7)	15.4	(12.0)	(228.3)	256	232	217
28	51	**Office Depot,**[15] Boca Raton, Fla.	OFFICE	1,301	903	44.1	26.9	18.8	43.1	228	290	345
29	28	**Home Shopping Network**, Clearwater, Fla.	ELE	1,043	980	6.4	64.6	74.7	(13.5)	NA	NA	NA
30	29	**Kay-Bee,**[16] Pittsfield, Mass.	TOY	1,018	927	9.8	NA	NA	—	963	1,270	1,280
31	33	**Pep Boys**, Philadelphia, Pa.	AUTO	1,002	885	13.2	84.0	77.0	9.1	313	337	367
32	34	**Family Dollar,**[17] Charlotte, N.C.	DOLLAR	989	874	13.1	63.7	47.6	33.8	1,680	1,759	1,879
33	32	**Burlington Coat,**[18] Burlington, N.J.	APP	966	887	8.9	30.7	24.7	24.3	159	171	186
34	37	**Ross Stores**, Newark, Calif.	APP	930	804	15.7	45.0	25.0	80.0	185	203	223
35	45	**Best Buy**, Minneapolis	CE	930	665	39.8	18.8	11.0	71.0	56	73	103
36	40	**QVC Network,**[19] West Chester, Pa.	ELE	922	776	18.8	84.4	29.4	187.1	NA	NA	NA
37	30	**Silo**, Philadelphia, Pa.	CE	900	910	(1.1)	NA	NA	—	235	235	235
38	31	**Jamesway**, Secaucus, N.J.	DDS	855	897	(4.7)	(3.4)	(32.6)	(89.7)	134	122	122
39	44	**AutoZone,**[20] Memphis, Tenn.	AUTO	818	672	21.7	72.0	38.0	89.5	598	678	718
40	48	**Dollar General**, Scottsville, Ky.	DOLLAR	754	653	15.5	34.7	23.1	50.2	1,461	1,522	1,612
41	47	**Consolidated Stores,**[21] Columbus, Ohio	CLOSE	753	662	13.7	38.3	15.2	152.0	337	398	438
42	38	**Northern Automotive,**[22] Phoenix, Ariz.	AUTO	725	800	(9.4)	NA	NA	—	816	721	721
43	42	**Fedco**, Santa Fe Springs, Calif.	DDS	690	701	(1.6)	NA	NA	—	9	9	9
44	43	**Smitty's**, Phoenix, Ariz.	DDS	678	755	(10.2)	NA	NA	—	21	21	21
45	50	**Lechmere**, Woburn, Mass.	DDS	670	627	6.9	NA	NA	—	18	20	23
46	—	**Smart & Final**, Santa Barbara, Calif.	CLUB	663	564	17.6	4.2	13.6	(69.1)	111	116	128
47	53	**Kids "R" Us**, Paramus, N.J.	APP	655	580	12.9	29.7	29.0	2.4	164	189	214
48	46	**Pamida**, Omaha, Neb.	DDS	638	665	(4.1)	29.6	33.5	(11.6)	177	178	186
49	55	**Wal-Mart SuperCenter,**[23] Bentonville, Ark.	HYPER	600	530	13.2	NA	NA	—	7	10	25
50	49	**Herman's**, Carteret, N.J.	SPORT	600	580	3.4	NA	NA	—	250	259	274
51	52	**Thrifty Corp.,**[24] Los Angeles	SPORT	590	600	(1.7)	NA	NA	—	266	267	267
52	54	**Value City,**[25] Columbus, Ohio	DDS	586	538	9.0	43.8	31.2	40.4	53	56	75
53	36	**Child World,**[26] Avon, Mass.	TOY	580	829	(30.1)	(167.6)	(204.0)	(17.8)	182	151	71
54	39	**Highland Superstores**, Taylor, Mich.	CE	575	860	(33.1)	(76.3)	(8.4)	808.3	92	49	49
55	74	**Staples**, Newton, Mass.	OFFICE	547	299	83.1	18.4	5.9	212.5	74	123	179
56	56	**MacFrugal's,**[27] Dominquez, Calif.	CLOSE	543	529	2.6	63.2	67.0	(5.7)	191	193	203
57	82	**BizMart**, Dallas	OFFICE	493	259	90.3	NA	NA	—	51	69	99
58	61	**Filene's Basement,**[28] Wellesley, Mass.	APP	465	400	16.3	16.3	9.1	79.1	40	49	59
59	60	**Clover**, Philadelphia, Pa.	DDS	430	380	13.2	NA	NA	—	23	24	25
60	57	**Alexander's,**[29] New York, N.Y.	DDS	430	460	(6.5)	4.7	6.6	(28.8)	11	11	0
61	75	**The Good Guys**, San Francisco, Calif.	CE	427	294	45.2	18.7	12.6	48.4	26	37	47
62	58	**Fishers Big Wheel**, New Castle, Pa.	DDS	409	450	(9.1)	NA	NA	—	93	84	84
63	66	**Tops Appliances,**[30] Edison, N.J.	CE	400	380	5.3	NA	NA	—	3	4	5
64	62	**Chief Auto Parts**, Dallas, Texas	AUTO	400	400	0.0	NA	NA	—	518	525	525
65	64	**Loehmann's**, Bronx, N.Y.	APP	389	396	(1.8)	NA	NA	—	77	83	87

Chain Codes: • **DDS:** Discount Department Store • **APP:** Off-Price Apparel Chain • **CE:** Consumer Electronics Chain • **CAT:** Catalog Showroom Chain • **AUTO:** Auto Aftermarket Specialty Chain • **CLUB:** Membership Warehouse Club • **SPORT:** Sporting Goods Specialty Chain • **TOY:** Toy Specialty Chain • **DOLLAR:** Dollar Discount Chain • **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) • **CLOSE:** Closeout Goods Chain • **HYPER:** Hypermarket • **OFFICE:** Office Supply Megastore • **ELE:** Electronic Retailers • **SMR:** Specialty Mass Retailer • **HOME:** Home Specialty Chain

Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
Results are for fiscal year ending Jan. '92 unless indicated.
NA: Not available or not applicable
—: Not ranked in previous year

[1]Wal-Mart: Sales are for discount stores only; Earnings are consolidated operating income before taxes for total corporation.
[2]Kmart: Sales are U.S. Kmart stores only, excluding Super Kmart Center/American Fare and including 49% of Meldisco footwear departments.
[3]Sears: Sales include U.S. Sears stores only; Earnings are Merchandising Group income before taxes, minority interest and equity income.
[4]Price Club: Sales include 12 Canadian clubs, but excludes membership fees of $142 million in '91 and $114 million in '90.
[5]Costco: Sales include 10 Canadian clubs, but excludes membership fees of $87.9 million in '91 and $73 million in '90.
[6]Toys "R" Us: Figures are for U.S. toy stores only.
[7]Ames: Sales for '91 include 77 closed stores only through Sept. '91; Sales for '90 includes 234 stores (221 thru April '90) closed last year and not included in '91 results after Sept. '91. Currently in Chapter 11.
[8]T.J. Maxx: Operating income includes nine Winners off-price apparel stores in Canada.
[9]Bradlees: Currently attempting spin-off as public corporation.
[10]Hills: In Chapter 11.
[11]ShopKo: Fiscal year ending Feb. 29, 1992.
[12]Best Products: In Chapter 11; Results include reorganization expenses.
[13]BJ's Wholesale Club: Results exclude costs of closing four clubs in Chicago.
[14]Western Auto: Includes company-owned Western Auto stores (375), 101 Tire America stores and 74 NTW tire stores.
[15]Office Depot: 1991 results include one-time charge of $8.9 million for acquisition of Office Club chain.
[16]Kay-Bee: 1991 figures include acquisition of K & K Toys.
[17]Family Dollar: Sales and earnings are for fiscal year ended in August.
[18]Burlington Coat: Figures for fiscal year ended in July.
[19]QVC Network: Sales include Sears product sales in 1991 of $22 million and $38 million in 1990.
[20]AutoZone: Figures for fiscal year ended in August.
[21]Consolidated Stores: 1992 store count includes 40 units of new, All-for-One Dollar closeout chain.
[22]Northern Automotive: Includes Schuck's, Checker, Kragen, and Autoworks chains; Sold 50-unit Crown Auto chain to Champion.
[23]Wal-Mart SuperCenter: Includes 4 Hypermart USAs.
[24]Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros. sporting goods chains.
[25]Value City: Figures for fiscal year ended in March.
[26]Child World: In Chapter 11.
[27]MacFrugal's: Formerly called Pic 'N' Save.
[28]Filene's Basement: Earnings represent net income.
[29]Alexander's: Results are for fiscal year ended in July. Company currently liquidating.
[30]Tops Appliances: Company currently attempting to go public.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Top 175 Discount Retailers

Rank 1991	Rank 1990	Chain, Headquarters	Code	Sales (In Millions) 1991	Sales (In Millions) 1990	Percent Change	Earnings* (Loss) (In Millions) 1991	Earnings* (Loss) (In Millions) 1990	Percent Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93
66	65	**Hit or Miss,** Framingham, Mass.	APP	$377	$387	(2.6%)	($26.0)	($7.0)	271.4%	574	576	501
67	68	**WSR Group,**[1] Chicago	AUTO	375	320	17.2	NA	NA	—	299	326	350
68	—	**Pic 'N Save,** Jacksonville, Fla.	DDS	373	400	(6.8)	NA	NA	—	39	36	36
69	79	**Goody's Family Clothing,** Knoxville, Tenn.	APP	362	273	32.6	17.6	7.4	137.8	91	106	124
70	67	**Bigg's,** Milford, Ohio	HYPER	350	350	0.0	NA	NA	—	6	6	6
71	77	**Dress Barn,** Stamford, Conn.	APP	325	284	14.4	14.9	14.4	3.5	462	550	600
72	70	**Bi-Mart,** Eugene, Ore.	DDS	325	315	3.2	NA	NA	—	43	42	42
73	76	**Trak Auto,** Landover, Md.	AUTO	320	293	9.1	3.0	(4.1)	(173.2)	331	333	335
74	71	**Syms,**[2] Secaucus, N.J.	APP	317	314	1.0	14.3	14.1	1.1	27	28	28
75	86	**Nationwise,**[3] Columbus, Ohio	AUTO	315	290	8.6	NA	NA	—	270	289	289
76	59	**Lionel Kiddie City,**[4] Edison, N. J.	TOY	309	426	(27.6)	(115.3)	(11.2)	929.5	99	71	71
77	72	**Brendles,** Elkin, N.C.	CAT	301	311	(3.2)	6.5	14.3	(54.5)	57	52	53
78	94	**Super Kmart Center,**[5] Troy, Mich.	HYPER	300	200	50.0	NA	NA	—	5	6	9
79	69	**Oshman's, Houston**	SPORT	298	318	(6.3)	(4.0)	(4.1)	(2.4)	189	183	174
80	81	**American TV,** Madison, Wis.	CE	290	260	11.5	NA	NA	—	8	9	9
81	73	**Ann & Hope,** Cumberland, R.I.	DDS	285	290	(1.7)	NA	NA	—	6	6	6
82	84	**The Wiz,** Brooklyn, N.Y.	CE	284	250	13.6	NA	NA	—	30	37	40
83	—	**IKEA N.A.,**[6] Plymouth Meeting, Pa.	HOME	284	169	68.0	NA	NA	—	6	10	11
84	89	**Fretter,** Livonia, Mich.	CE	280	217	29.0	NA	NA	—	61	82	82
85	87	**Rich's,** Salem, Mass.	DDS	260	235	10.6	NA	NA	—	24	26	28
86	92	**Clothestime,** Anaheim, Calif.	APP	259	209	23.9	5.0	0.1	6,310.3	384	401	476
87	91	**Sportmart,** Niles, Ill.	SPORT	250	210	19.0	NA	NA	—	24	25	31
88	95	**OfficeMax,** Beachwood, Ohio	OFFICE	245	124	97.6	NA	NA	—	46	79	180
89	80	**Warehouse Club,** Skokie, Ill.	CLUB	242	260	(6.9)	(5.0)	(4.0)	25.0	10	10	10
90	120	**Sports Authority,**[7] Fort Lauderdale, Fla.	SPORT	241	105	129.5	3.0	(3.0)	(200.0)	19	36	54
91	85	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	240	250	(4.0)	NA	NA	—	555	535	550
92	—	**Lechters, Inc.,** Harrison, N.J.	HOME	234	188	24.5	22.2	18.2	22.0	364	436	528
93	97	**Stein Mart,** Jacksonville, Fla.	APP	225	195	15.4	15.0	12.1	24.0	40	45	53
94	—	**Linens 'n Things,** Clifton, N.J.	HOME	221	202	9.4	NA	NA	—	141	143	151
95	83	**Consumers Distributing (U.S.),** Edison, N.J.	CAT	220	246	(10.6)	NA	NA	—	88	89	91
96	88	**ALCO,**[8] Abilene, Kan.	DDS	211	220	(4.1)	0.7	(3.3)	(121.2)	100	104	111
97	90	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	208	214	(2.7)	2.7	2.5	6.2	54	53	54
98	105	**Rex,**[9] Dayton, Ohio	CE	202	164	23.2	4.0	3.5	13.1	90	98	110
99	98	**Quality Stores,** N. Muskegon, Mich.	DDS	199	195	2.1	NA	NA	—	60	61	61
100	113	**BrandsMart USA,** Miami, Fla.	CE	197	134	47.0	NA	NA	—	1	3	3
101	93	**Paccar,**[10] Renton, Wash.	AUTO	195	226	(13.7)	NA	NA	—	139	130	140
102	126	**Big Bear Plus,** Columbus, Ohio	HYPER	190	100	90.0	NA	NA	—	5	9	12
103	104	**Jack's,** Quincy, Ill.	DDS	185	167	10.8	NA	NA	—	14	16	17
104	99	**K's Merchandise,** Decatur, Ill.	CAT	180	180	0.0	NA	NA	—	12	12	12
105	—	**Dahl's,** Des Moine, Iowa	HYPER	175	175	0.0	NA	NA	—	13	13	13
106	—	**Bed, Bath & Beyond,** Springfield, N.J.	HOME	168	135	24.1	12.0	12.0	0.0	27	34	44
107	108	**GB Stores,** Johnstown, Pa.	DDS	167	160	4.4	NA	NA	—	35	35	31
108	—	**Waccamaw Corp.,** Myrtle Beach, S.C.	HOME	166	155	7.1	NA	NA	—	24	29	29
109	107	**Swallen's,** Cincinnati	DDS	162	160	1.3	NA	NA	—	9	9	9
110	106	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	160	0.0	NA	NA	—	18	18	18
111	112	**Academy,** Houston, Texas	SPORT	160	105	52.4	NA	NA	—	27	25	30
112	100	**Prange Way,** De Pere, Wis.	DDS	156	180	(13.3)	NA	NA	—	24	24	24
113	—	**Hi/Lo Automotives,**[11] Houston	AUTO	156	143	9.3	10.9	8.1	34.6	107	114	130
114	111	**Gibson's Discount Centers,**[12] Dodge City, Kan.	DDS	150	135	11.1	NA	NA	—	32	30	32
115	110	**The Andersons,** Maumee, Ohio	DDS	140	136	2.9	NA	NA	—	6	6	6
116	136	**OW Office Warehouse,**[13] Virginia Beach, Va.	OFFICE	140	80	75.0	(9.5)	(2.3)	313.0	23	42	0
117	116	**Sports Unlimited,** Tampa, Fla.	SPORT	139	112	24.1	NA	NA	—	18	19	27
118	115	**Grandpa's,** St. Louis	DDS	132	132	0.0	NA	NA	—	9	9	9
119	117	**One Price Clothing Stores,** Spartanburg, S.C.	APP	130	110	18.2	7.1	7.1	0.0	295	365	429
120	63	**Newmark & Lewis,**[14] Hicksville, N.Y.	CE	130	192	(32.3)	NA	NA	—	98	24	0
121	114	**G.I. Joe's,** Wilsonville, Ore.	DDS	129	133	(3.0)	NA	NA	—	14	14	14
122	139	**50-Off Stores,** San Antonio, Texas	APP	128	77	66.2	9.8	4.2	133.3	46	66	96
123	—	**Everything's A $1,** Milwaukee	CLOSE	128	59	115.3	12.7	4.7	168.5	105	207	407
124	119	**Tuesday Morning,**[15] Dallas	CLOSE	123	107	14.5	8.1	7.2	12.5	138	150	175
125	109	**Stuarts,**[16] Franklin, Mass.	DDS	119	148	(19.6)	0.2	(1.5)	(110.7)	20	2	21
126	124	**Twin Valu,**[17] Minneapolis	HYPER	110	100	10.0	NA	NA	—	2	2	2
127	101	**Harts,** Columbus, Ohio	DDS	110	175	(37.1)	NA	NA	—	31	20	17
128	118	**Arvey Paper & Office Products,** Chicago, Ill.	OFFICE	110	110	0.0	NA	NA	—	40	40	40
129	131	**Modell's Sporting Goods,** East Meadow, N.Y.	SPORT	108	91	18.7	NA	NA	—	36	39	40
130	135	**Toy Liquidators,** Milwaukee	TOY	108	81	32.6	8.7	7.5	15.9	96	111	136

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Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*
Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
Results are for fiscal year ending Jan. '92 unless indicated.
NA: Not available or not applicable
—: Not ranked in previous year

[1]WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss stores.
[2]Syms: Earnings represent net income.
[3]Nationwise: Includes 30 Guarantee Auto stores.
[4]Lionel Kiddie City: Currently in Chap. 11.
[5]Super Kmart Center: Includes 3 American Fares.
[6]IKEA: Store count reflects acquisition of STOR in Dec. '91.
[7]Sports Authority: 1990 sales are for 11 months only.
[8]ALCO: Filed for Chapter 11 in 1990. Emerged in 1991.
[9]Rex: Formerly listed as Audio-Video Affiliates.
[10]PACCAR: Includes General Automotive, Grand Auto and Al's Auto Supply chains.
[11]Hi/Lo: Went public in 1991.
[12]Gibson's Discount Centers: Changed name to Gibson's from Chaffin in Jan. '92.
[13]OW Office Warehouse: Earnings are net income; purchased by OfficeMax in June '92.
[14]Newmark & Lewis: Liquidated in 1992.
[15]Tuesday Morning: Earnings are net income.
[16]Stuarts: Currently in Chapter 11.
[17]Twin Valu: Store count projection excludes 2 food-only Twin Valu stores slated to open in 1992.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Top 175 Discount Retailers

Rank 1991	Rank 1990	Chain, Headquarters	Code	Sales (In Millions) 1991	Sales (In Millions) 1990	Percent Change	Earnings* (Loss) (In Millions) 1991	Earnings* (Loss) (In Millions) 1990	Percent Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93
131	125	**Laneco,** Palmer, Pa.	HYPER	$ 100	$ 100	0.0	NA	NA	—	14	14	15
132	130	**J & R Music World,** Brooklyn, N.Y.	CE	100	95	5.3	NA	NA	—	2	2	2
133	—	**Holiday Mart,** Honolulu, Hawaii	HYPER	100	110	(9.1)	NA	NA	—	3	3	3
134	127	**NBO Stores,** Fair Lawn, N.J.	APP	95	96	(1.0)	NA	NA	—	39	39	39
135	—	**Gem of Hawaii,** Honolulu, Hawaii	DDS	90	85	5.9	NA	NA	—	5	5	5
136	133	**Building #19,** Hingham. Mass.	CLOSE	90	85	5.9	NA	NA	—	10	10	10
137	134	**SportsTown,** Atlanta	SPORT	88	73	20.7	0.9	($6.6)	(114.2)	12	12	17
138	—	**The Fair Co.,** Worcester, Mass.	DDS	86	82	4.9	NA	NA	—	8	7	7
139	123	**Luskin's,** Baltimore	CE	86	90	(4.4)	NA	NA	—	32	32	30
140	137	**Van Leunen's,** Cincinnati	DDS	83	80	3.8	NA	NA	—	7	7	7
141	—	**WORKplace,**[1] Pinellas Park, Fla.	OFFICE	80	60	33.3	NA	NA	—	8	10	0
142	—	**Wholesale Depot,** Natick, Mass.	CLUB	80	50	60.0	NA	NA	—	3	4	7
143	138	**Polk Brothers.,**[2] Melrose Park, Ill.	DDS	80	80	0.0	NA	NA	—	5	5	5
144	140	**Dahlkemper's,**[3] Erie, Pa.	CAT	80	80	0.0	NA	NA	—	8	11	9
145	132	**Carrefour,** Philadelphia	HYPER	80	84	(4.8)	NA	NA	—	1	1	2
146	145	**S&K Famous Brands,**[4] Richmond, Va.	APP	75	67	11.9	2.8	2.9	(3.4)	101	122	142
147	148	**Odd Job Trading,** New York, N.Y.	CLOSE	75	65	15.4	NA	NA	—	18	20	23
148	143	**Evans,** Rockville, Md.	CAT	75	70	7.1	NA	NA	—	12	12	12
149	—	**Goldblatt's,** Chicago, Ill.	DDS	71	59	20.3	2.0	1.3	53.8	12	12	14
150	—	**Dollar Tree Stores,**[5] Norfolk, Va.	CLOSE	71	53	34.0	NA	NA	—	130	186	260
151	121	**The Present Co.,**[6] Rochester, N.Y.	CAT	70	102	(31.4)	NA	NA	—	24	0	0
152	—	**Sugarman's,** Eynon, Pa.	DDS	70	70	0.0	NA	NA	—	3	3	3
153	96	**Click,** Akron, Ohio	HYPER	70	60	16.7	NA	NA	—	9	10	11
154	147	**Apex,** Pawtucket, R.I.	DDS	65	70	(7.1)	NA	NA	—	3	3	3
155	149	**Witmark,** Grand Rapids, Mich.	CAT	64	61	4.9	NA	NA	—	9	10	10
156	—	**Linens Supermarket,** Fort Lauderdale, Fla.	HOME	63	57	9.6	NA	NA	—	65	65	65
157	—	**Leedmark,**[7] Glen Burnie, Md.	HYPER	60	0	—	NA	0.0	—	0	1	1
158	129	**Fred Schmid,**[8] Denver	CE	60	95	(36.8)	NA	NA	—	20	0	0
159	—	**Bargain Town,** Montgomery, Ala.	DOLLAR	59	59	0.0	NA	NA	—	67	67	67
160	—	**Giant Family Center,** Mount Pleasant, Mich.	HYPER	55	55	0.0	NA	NA	—	13	13	13
161	—	**Office America,** Richmond, Va.	OFFICE	53	40	33.0	NA	NA	—	14	19	24
162	144	**K & K Toys,**[9] Norfolk, Va.	TOY	50	68	(26.5)	NA	NA	—	136	0	0
163	—	**Bud's Warehouse Outlets,** Bentonville, Ark.	CLOSE	50	10	400.0	NA	NA	—	4	21	40
164	141	**Auchan,** Woodridge, Ill.	HYPER	50	55	(9.1)	NA	NA	—	1	1	1
165	—	**Magic Mart,** Bluefield, Va.	DDS	50	45	10.0	NA	NA	—	16	16	16
166	—	**Sterling Jewelry,**[10] Dallas	CAT	45	50	(10.0)	NA	NA	—	5	4	2
167	—	**Curtains & Home,** Plainview, N.Y.	HOME	44	44	0.0	NA	NA	—	40	40	40
168	128	**W. Bell,**[11] Rockville, Md.	CAT	40	75	(46.7)	NA	NA	—	8	0	0
169	—	**E.H. Tepe Co.,**[12] South Bend, Ind.	CAT	39	39	0.0	NA	NA	—	10	0	0
170	—	**Goldbro,** Birmingham, Ala.	CAT	38	36	5.6	NA	NA	—	8	9	9
171	—	**U.S. Merchandise,** Cleveland, Ohio	CAT	35	24	45.8	NA	NA	—	6	9	9
172	—	**Playtogs,** Middletown, N.Y.	DDS	35	30	16.7	NA	NA	—	1	1	1
173	—	**Holiday Plus,** Minneapolis	DDS	35	35	0.0	NA	NA	—	4	4	4
174	—	**Brand Name Sales,** Tonawanda, N.Y.	CAT	35	32	9.4	NA	NA	—	15	15	15
175	—	**Fred B. Gattas,**[13] Memphis, Tenn.	CAT	30	28	7.1	NA	NA	—	6	6	7
176	—	**Foland's,**[14] Livonia, Mich.	CAT	30	40	(25.0)	NA	NA	—	6	6	0
		Top 10 Totals:		**$120,252**	**$105,166**	**14.3%**	—	—	—	**6,206**	**6,607**	**7,037**
		Top 25 Totals:		**$153,251**	**$136,814**	**12.0%**	—	—	—	**9,359**	**9,767**	**10,335**
		Top 50 Totals:		**$175,199**	**$156,937**	**11.6%**	—	—	—	**18,041**	**19,128**	**20,261**
		Top 100 Totals:		**$192,186**	**$172,829**	**11.2%**	—	—	—	**24,344**	**25,747**	**27,293**
		Top 150 Totals:		**$198,224**	**$178,417**	**11.1%**	—	—	—	**26,237**	**27,875**	**29,862**
		Top 175 Totals:		**$199,518**	**$179,697**	**11.0%**	—	—	—	**26,730**	**28,198**	**30,203**

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Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*
Results are for fiscal year ending Jan. '92 unless indicated.
NA: Not available or not applicable
—: Not ranked in previous year

[1]WORKplace: Acquired by Staples in 1992.
[2]Polk Bros.: Announced plans to liquidate in 1992.
[3]Dahlkemper's: Store count includes 2 jewelry specialty stores.
[4]S&K Famous Brands: Earnings are net income.
[5]Dollar Tree Stores: Operates as Only a $1 and Dollar Tree Stores.
[6]The Present Co.: Liquidated by Dec. '91.
[7]Leedmark: Open for 6 months of 1991.
[8]Fred Schmid: Bought by Fretter in Oct. '91.
[9]K & K Toys: Acquired by Melville's Kay-Bee chain in Oct. '91.
[10]Sterling: Dropped catalog and now sells only jewelry and giftware.
[11]W. Bell: Liquidated in late 1991.
[12]E.H. Tepe: Liquidated in late 1991.
[13]Fred B. Gattas: Sales and store count include 1 specialty jewelry store.
[14]Foland's: Filed for Chap. 11 in Feb. '92.

Source: DSN research

STATISTICAL ISSUES

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State of the Industry Report:
Chain Analysis

PART II:
State of the Industry Report:
Merchandising Productivity Analysis

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DISCOUNT INDUSTRY ANNUAL REPORT

Top Full-Line Discount Stores

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Wal-Mart[1], Bentonville, Ark.	$31,667	$25,496	24.2%	1,573	1,720	1,880	75
Kmart[2], Troy, Mich.	24,749	24,144	2.5	2,205	2,249	2,308	80
Target, Minneapolis	9,041	8,175	10.6	420	463	508	102
Ames[3], Rocky Hill, Conn.	2,819	3,109	(9.3)	455	371	371	57
Caldor, Norwalk, Conn.	1,868	1,766	5.8	122	128	136	95
Bradlees, Braintree, Mass.	1,772	1,772	0.0	130	129	127	71
Hills[4], Canton, Mass.	1,680	2,140	(21.5)	214	154	154	67
ShopKo, Green Bay, Wis.	1,648	1,521	8.3	104	109	111	71
Venture, O'Fallon, Mo.	1,522	1,421	7.1	79	84	93	76
Rose's, Henderson, N.C.	1,423	1,525	(6.7)	256	232	217	43
Jamesway, Secaucus, N.J.	855	897	(4.7)	134	122	122	58
Fedco, Santa Fe Springs, Calif.	690	701	(1.6)	9	9	9	115
Smitty's, Phoenix	678	755	(10.2)	21	21	21	110
Lechmere, Woburn, Mass.	670	627	6.9	18	20	23	78
Pamida, Omaha, Neb.	638	665	(4.1)	177	178	186	35
Value City[5], Columbus, Ohio	586	538	9.0	53	56	75	82
Alexander's[6], New York	430	460	(6.5)	11	11	0	NA
Clover, Philadelphia	430	380	13.2	23	24	25	70
Fishers Big Wheel, New Castle, Pa.	409	450	(9.1)	93	84	84	45
Pic 'N Save, Jacksonville, Fla.	373	400	(6.8)	39	36	36	70
Bi-Mart, Eugene, Ore.	325	315	3.2	43	42	42	30
Ann & Hope, Cumberland, R.I.	285	290	(1.7)	6	6	6	200
Rich's, Salem, Mass.	260	235	10.6	24	26	28	64
ALCO[7], Abilene, Kan.	211	220	(4.1)	100	104	111	22
Quality Stores, N. Muskegon, Mich.	199	195	2.1	60	61	61	30
Jack's, Quincy, Ill.	185	167	10.8	14	16	17	60
GB Stores, Johnstown, Pa.	167	160	4.4	35	35	31	45
Swallen's, Cincinnati	162	160	1.3	9	9	9	140
Prange Way, De Pere, Wis.	156	180	(13.3)	24	24	24	50
Gibson's Discount Centers[8], Dodge City, Kan.	150	135	11.1	32	30	32	31
The Andersons, Maumee, Ohio	140	136	2.9	6	6	6	98
Grandpa's, St. Louis	132	132	0.0	9	9	9	65
G.I. Joe's, Wilsonville, Ore.	129	133	(3.0)	14	14	14	55
Stuarts[9], Franklin, Mass.	119	148	(19.6)	20	2	21	60
Harts, Columbus, Ohio	110	175	(37.1)	31	20	17	60
Gem of Hawaii, Honolulu	90	85	5.9	5	5	5	80
The Fair Co., Worcester, Mass.	86	82	4.9	8	7	7	180
Van Leunen's, Cincinnati	83	80	3.8	7	7	7	100
Polk Brothers[10], Melrose Park, Ill.	80	80	0.0	5	5	0	30
Goldblatt's, Chicago	71	59	20.3	12	12	14	50
Sugarman's, Eynon, Pa.	70	70	0.0	3	3	3	80
Apex, Pawtucket, R.I.	65	70	(7.1)	3	3	3	145
Magic Mart, Bluefield, Va.	50	45	10.0	16	16	16	35
Holiday Plus, Minneapolis	35	35	0.0	4	4	4	100
Playtogs, Middletown, N.Y.	35	30	16.7	1	1	1	170
Shoppers World, Oak Park, Mich.	27	27	0.0	8	8	9	95
L.A. Joe's, Nitro, W.Va.	25	171	(85.4)	71	0	0	60
Silverman's, Cleveland	25	25	0.0	8	8	8	25
Val Discount Center, New Castle, Ind.	24	24	0.0	14	14	14	20
Total:	$87,444	$80,606	8.5%	6,728	6,697	7,005	—

[1] Wal-Mart: Sales are for discount stores only; earnings are consolidated operating income before taxes for total corporation.
[2] Kmart: Sales are U.S. Kmart stores only, excluding Super Kmart Center/American Fare and including 49% of Meldisco footwear departments.
[3] Ames: Sales for '91 include 77 closed stores only through Sept. '91; sales for '90 includes 234 stores (221 thru April '90) closed last year and not included in '91 results after Sept. '91. Currently in Chapter 11.
[4] Hills: In Chapter 11
[5] Value City: Figures for fiscal year ended in March.
[6] Alexander's: Results are for fiscal year ended in July. Company currently liquidating.
[7] ALCO: Filed for Chapter 11 in 1990. Emerged in 1991.
[8] Gibson's Discount Centers: Changed name to Gibson's from Chaffin in Jan. '92.
[9] Stuarts: Currently in Chapter 11.
[10] Polk Bros.: Announced plans to liquidate in 1992.

( )—Decline NA—Not available or not applicable. Source: DSN research

Productivity Gains, Wal-Mart's Growth Propel Top Discounters

Surging ahead as if it were a runaway locomotive, Wal-Mart discount stores broke the $30 billion sales mark in 1991, creating nearly a $7 billion gap between itself and No. 2 Kmart.

Just a year ago, Wal-Mart and Kmart were nearly neck-and-neck, with Wal-Mart ahead by a little more than $400 million. That marked the first time in some two decades that Kmart was displaced as the leading discount department store chain in the country, a position it is unlikely to see again.

Fueling Wal-Mart's dominance in the discount store arena is its productivity. Recording sales per square foot of $279 in 1991, Wal-Mart's productivity outstrips that of second place Kmart by $93 per square foot. And Kmart's $186 sales per square foot figure was down in 1991 by $4 per square foot from 1989.

All this translated into a 24.2% sales gain at Wal-Mart discount department stores last year—the highest in the industry—and a 2.5% sales increase at Kmart.

The No. 3 chain, Target, with $9 billion in sales in 1991 (and largely unchallenged by No. 4 Ames' $2.8 billion in sales) took it on the chin last year, reporting a profit decline of 2.5%. Sales per square foot at Target in 1991, totaled $205, $19 per square foot better than Kmart.

Kmart, however, remains the largest chain by store count, closing the year with 2,249 units averaging 80,000 sq. ft. compared to Wal-Mart's 1,720 stores averaging 75,000 sq. ft. But with Wal-Mart's store opening schedule, fueled by its assault on the Northeast and California, even Kmart's tenuous position as the store count leader may be in jeopardy before too long.

Wal-Mart's steller performance in 1991 and industry dominance is further enhanced when the chain's financials are compared to the whole industry.

For example, Wal-Mart's annual sales grew by roughly $6 billion last year, slightly less than the industry's total sales growth for the year. Therefore, nearly all the industry's 8.5% sales increase can be attributed to Wal-Mart.

With Wal-Mart's sales factored out of both 1990 and 1991 industry sales, discount stores recorded a mere $667 million increase, or a gain of 1.2%.

While definitely a headline grabber, Wal-Mart's sales and earnings—nearly $2.6 billion for the entire company—tells only part of the industry's story for 1991.

Even with a national recession, the 49 largest discount department store chains recorded an 8.5% sales increase for the year on a net 31 fewer stores, meaning sales productivity, on both a per store and per square foot basis, improved last year. While many areas of the nation remain mired in recession or in the midst of a very slow recovery, a net gain in store count—a mere 13 stores—is projected for the leading discount department store chains by the end of 1992.

Although a number of discount department store chains filed Chapter 11 bankruptcy petitions or closed shop, others, such as ShopKo and Venture, found that scrupulous attention to detail and a well thought out plan of attack were winning combinations in 1991. Their new store prototypes are models for the discount industry.

Overall, of 49 chains identified by *DSN* as discount department stores with sales exceeding $24 million, 23 reported sales increases for 1991. Eight chains had flat sales in '91, and 18 chains experienced a sales decline. Of those 18 chains, seven were in Chapter 11 during part or all of 1991 or are in bankruptcy now.

For example, Ames, Hills and Stuart's filed for bankruptcy protection from creditors in 1991 and remain in reorganization. ALCO emerged from Chapter 11 in May 1991. Alexander's filed for bankruptcy protection this past spring and has nearly finished liquidating its inventory. Polk Brothers suddenly closed up shop a few weeks ago.

Despite the bankruptcies or because of them, Ames, Hills and Stuart's all have developed store prototypes or refined product mix and store layouts to distinguish themselves in their markets and better equip them to sustain the onslaught of Wal-Mart and a revitalized Kmart.

Also working on a similar program to keep Wal-Mart at bay are Caldor and Bradlees, which is attempting to go public this year. Both are working on rolling out new prototypes, following the model of ShopKo and Venture, which are registering successes with their new prototypes.

Of the retail chains that recorded sales increases, the largest, after Wal-Mart, was

(Continued on page 108)

Special Supplement
Discount Store News

July 6, 1992

Kmart: Focus on fashion

Donald W. Keeble, senior vp

Retailers vie for position

The discount apparel market has never been more challenging. Even as mass merchants continue to capture share of total clothing sales, the competition among the players becomes increasingly rigorous.

With combined apparel sales of about $15 billion, Kmart and Wal-Mart are in a class by themselves when it comes to moving merchandise.

Kmart remains No. 1 in terms of volume, but Wal-Mart is nipping at its heels. If the Bentonville giant continues to post double-digit apparel growth rates, it could seize the top spot from Kmart by this time next year.

Kmart is attempting to fend off Wal-Mart with a number of merchandising and marketing weapons. Foremost in Kmart's armory is its new private label B.E. line of casualwear. The collection of colorful basics has Gap-like appeal, but is significantly lower priced than merchandise at the specialty store. Jaclyn Smith remains a mainstay.

Wal-Mart continues to expand its apparel reach utilizing a combination of brand names—including distribution of certain merchandise from White Stag on an exclusive basis—and everyday low prices. This strategy has consumers filling their carts with clothing and other retailers climbing the walls.

Target, a distant third place in the apparel race, continues to play the role of producer with a strategy that relies heavily on category-spanning private labels.

Regional discounters are attempting to defend against Wal-Mart's full-court press with a variety of defenses meant to make their stores distinctive in the market. These postures include new store designs with flexible layouts, partnering with brands that aren't heavy Wal-Mart suppliers, new private label development and opportunistic purchases of department and specialty store brands.

Off-price apparel stores are also fighting aggressively for market share. Marshalls, the long time leader in the category, is being seriously challenged by second place contender T.J. Maxx.

The difference in sales between the two operations dropped to less than $200 million during the 1991 selling season. It will be interesting to see how the efforts of its new president Warren Feldberg, who is credited with much of Target's apparel success, effects Marshall's bottom line.

T.J. Maxx's solid performance for the year is a needed boost for TJX Cos., which is still fighting off the losses of Hit or Miss, which will close 75 weak locations in 1992.

Top 10 Discounters*

Rank	Company	1991 Sales ($ in millions)	Apparel Sales ($ in million)	Number of Stores 1/92	Average Size	Comment
1	Wal-Mart	$31,667	$7,125	1,720	75,000	If the company's growth path continues, it could catch Kmart in apparel by year's end.
2	Kmart	24,749	8,167	2,249	80,000	Focusing on apparel. Introduced B.E. private label.
3	Target	9,041	2,984	463	102,000	The jury is still out on their strong private label position.
4	Ames	2,819	1,127	371	57,000	Will new specialty-oriented prototype be company salvo?
5	Caldor	1,868	523	128	95,000	If in-store merchandising was as good as assortments, could be an apparel power-house.
6	Bradlees	1,772	727	129	71,000	This strong regional is spinning off from parent Stop & Shop.
7	Hills	1,680	840	154	67,000	Struggling in chapter 11 proceedings.
8	Shopko	1,648	412	109	71,000	Apparel destined to play a greater role in store's future.
9	Venture	1,522	609	184	76,000	Jockeying to maintain their lead position in their home markets; trying Texas expansion.
10	Rose's	1,423	413	232	43,000	New executive team attempting to revive the operation.

*Does not include hypermarts or food-oriented operations.
Source: *Apparel Merchandising/DSN*

Top 10 Off-Pricers

Rank	Company	1991 Sales ($ in millions)	Number of Stores 1/92	Average Size	Comment
1	Marshalls	$2,358	411	27,000	Don of designer discounting, Warren Feldberg, joins as president.
2	T.J. Maxx	2,180	437	28,000	Expands in Long Island, N.Y.
3	Burlington Coat	966	171	55,000	Family-run operation should pass the billion dollar mark next year.
4	Ross Stores	930	203	24,000	Expanding base in the East.
5	Kids 'R' Us	655	189	21,000	Continues to hold its own, but the competition's heating up.
6	Filene's Basement	465	49	20,000	Entered Chicago market this year.
7	Loehmann's	389	83	13,000	Ex-Macy's exec, Robert Friedman, joins as president.
8	Hit or Miss	377	576	4,000	More misses than hits.
9	Goody's Family Clothing	362	106	19,000	Went public with its denim-skewed strategy.
10	Dress Barn	325	462	4,000	Sales growth through new stores.

Source: *Apparel Merchandising/DSN*

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Top Warehouse Clubs Vie for Consumer Loyalty

Explosive growth continues to be the only apt description for the membership warehouse industry's sales and club count trend.

Industry volume this year is projected to grow by over $7 billion, a 29% increase, and reach $35 billion, while the number of clubs is expected to hit 738 stores, a 20% gain. The jump in sales will reflect more than just the increased number of stores; it's also due to the industrywide addition of departments like scratch bakery, fresh meat and produce and pizza shops, as well as optical and prescription services.

The clubs are finding and exploiting more ways to provide goods and services to members to increase the number of shopping trips and the amount spent during each visit.

This year's growth will come on the heels of impressive gains in 1991, when overall industry volume jumped almost 35% as the top five companies recorded hikes ranging from a low of 25% for the Price Club to almost 59% for Pace Membership Warehouse.

The sales increase last year outpaced the 20% rise in stores. This maintains the long-standing trend whereby the rapid maturing of clubs—average per unit volume reaches $45 million to $50 million within 12 to 18 months—accelerates sales at a faster rate than companies are able to open stores.

Sam's Club, a division of the nation's largest retailer, Wal-Mart Stores, remains the industry's leader in sales and stores. It's poised to widen its lead in 1992 by opening 48 more clubs to go to 248 stores, more than double that of the next largest (in units) chain, and pass $13 billion in volume, or about one-third of the industry's overall revenues.

Just as important, this year Sam's Club will expand into California, New Mexico, Idaho, New Hampshire and Puerto Rico for the first time while broadening its presence in the Northeast and in Mexico, where it unveiled two Club Aurreras last year in a joint venture with Cifra, N.A., the largest Mexican retailer.

The Price Club and Costco Wholesale continue to vie for the No. 2 spot as each follows a more measured growth program that includes more clubs in Canada—the two are the only membership warehouses presently in that country—while firming up current markets in the face of Sam's Club expansion. Price Club followed Sam's Club into Mexico earlier this year with its initial Price Club de Mexico, a joint venture with Commercial Mexicana.

Pace Membership Warehouse, fueled by its parent Kmart, plans to step up its growth by opening over two dozen clubs, including augmenting its battle with Sam's Club in such markets as Dallas, Chicago, St. Louis and the Northeast.

BJ's Wholesale Club, a division of Waban Inc., is focusing its growth on strengthening its presence in the Northeast, its home base, to meet the growing competition from the other four major clubs.

While the top five clubs last year accounted for over 96% of the industry's volume and more than 78% of the stores, other companies have either staked out niche markets or plan to enter the business.

Smart & Final, for example, uses a warehouse format for its food and sundries operation, but doesn't have any membership requirement.

Top Membership Warehouse Clubs

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Sam's Club Bentonville, Ark.	$ 9,430	$ 6,579	43.3%	148	208	248	100
Price Club[1] San Diego	6,598	5,286	24.8	66	77	91	116
Costco[2] Kirkland, Wash.	5,216	4,060	28.5	69	82	100	118
Pace Englewood, Colo.	3,646	2,295	58.9	78	87	115	107
BJ's Wholesale Club[3] Natick, Mass.	1,432	1,150	24.5	27	29	39	100
Smart & Final Santa Barbara, Calif.	663	564	17.6	111	116	128	13
Warehouse Club Skokie, Ill.	242	260	(6.9)	10	10	10	100
Wholesale Depot Natick, Mass.	80	50	60.0	3	4	7	60
Total:	$27,307	$20,244	34.9%	512	613	738	—

[1] Price Club: Sales include 12 Canadian clubs, but excludes membership fees of $142 million in '91 and $114 million in '90.
[2] Costco: Sales include 10 Canadian clubs, but excludes membership fees of $87.9 million in '91 and $73 million in '90.
[3] BJ's Wholesale Club: Results exclude costs of closing 4 clubs in Chicago.
( )—Decline

Source: *DSN* research

Catalog Showrooms Lose Their Bind on Customer Base

The catalog showroom industry continued to be racked by unwanted consolidation as five chains closed, another shut all but one store and a seventh dropped the use of a book and changed its format to a jewelry and giftware specialty retailer.

The demise of the five chains, along with sales declines for each of the five largest operators, resulted in the industry's overall volume dropping for the second year in a row to about $6.5 billion.

Sales are expected to level off at $6.4 billion this year.

The industry's problems took a major toll on coordinator groups that supply catalogs to most chains, cutting down these companies to just three. Paul Schultz Catalogs and MAI, for the first time, held a joint merchandising show, while MAI and Associated Charter held informal discussions on a possible marriage.

The recession is credited with injuring the industry overall, while other specific factors were responsible for liquidations of the five catalogers.

Poor sales magnified by high debt and the unwillingness of lenders to provide additional support combined to force out W. Bell, The Present Co. and Foland's, while these factors and the desire of the owners of privately held Value House and E.H. Tepe to retire, resulted in the closing of the catalogers.

Service Merchandise, the leading chain, plans to open 17 showrooms this year and test a new concept—a juvenile goods specialty store. It's continuing to enhance its operations through such moves as a database targeted mailing of catalogs, interactive voice technology to handle phone orders, upgrading of its Silent Sam customer-operated in-store stock verification terminals into interactive order terminals.

Best Products, the No. 2 chain that filed Chapter 11 in 1991 and subsequently closed three dozen stores, plans to open its first new showroom in three years. It will follow The Diamond format, an upgraded layout that boosted sales in the Philadelphia market where it was first used late last year. The cataloger expects to file its reorganization plan in September.

L. Luria & Son is working on a new showroom prototype to accelerate its growth that includes expansion outside of Florida within two years.

Brendle's, meanwhile, has dropped out of the MAI group to undertake a three-year reformatting of its business into a jewelry and giftware specialty retailer.

Top Catalog Showroom Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Service Merchandise Nashville, Tenn.	$3,400	$3,435	1.0%	346	359	376	50
Best Products,[1] Richmond, Va.	1,438	1,842	(21.9)	195	160	153	50
Brendles Elkin, N.C.	301	311	(3.2)	57	52	53	48
Consumers Distributing (U.S.) Edison, N.J.	220	246	(10.6)	88	89	91	12
L. Luria & Son. Miami Lakes, Fla.	208	214	(2.7)	54	53	54	26
K's Merchandise Decatur, Ill.	180	180	0.0	12	12	12	75
Dahlkemper's[2] Erie, Pa.	80	80	0.0	8	9	11	55
Evans Rockville, Md.	75	70	7.1	12	12	12	55
The Present Co.[3] Rochester, N.Y.	70	102	(31.4)	24	0	0	NA
Witmark Grand Rapids, Mich.	64	61	4.9	9	10	10	23
Sterling Jewelry[4] Dallas	45	50	(10.0)	5	4	2	46
W. Bell[5] Rockville, Md.	40	75	(46.7)	8	0	0	12
E.H. Tepe Co.[6] South Bend, Ind.	39	39	0.0	10	0	0	45
Total:	$6,160	$6,705	8.1%	828	760	774	—

[1] Best Products: In Chapter 11; results include reorganization expenses.
[2] Dahlkemper's: Store count includes 2 jewelry specialty stores.
[3] The Present Company: Liquidated by Dec. '91.
[4] Sterling Jewelry: Dropped catalog and now sells only jewelry and giftware.
[5] W. Bell: Liquidated in late 1991.
[6] E.H. Tepe: Liquidated in late 1991.
( )—Decline

NA—Not available or not applicable.
Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Recovering Off-Pricers Try On Profits for Size

An economic recovery is at hand in the off-price apparel business.

Of the top 17 off-price chains, 11 reported double-digit sales increases in 1991, which increased total sales for the category by 11%. Except for Loehmann's, even those chains reporting decreases managed to narrow their losses—an improvement from a year ago when the pangs of recession were felt hardest by many off-pricers.

In 1990, many chains reported increased sales, but admitted decreases in comparable store sales and operating income. In 1991, a modest overall sales increase (11% compared to 1990's 13%) matched modest increases in comp store sales and earnings.

For some, 1991 was an exceptional year. Few could compete with 50-Off Stores, which continued its meteoric rise with a 66% sales increase.

Goody's Family Clothing, which went public earlier this year, had its second year of sales increase above 30%.

The year 1991 was also a good one for Clothestime. In 1990, income before taxes was a mere $170,000 for the Anaheim, Calif., chain. In 1991, it jumped to $10 million.

One Price Clothing, Spartanburg, N.C., also had double digit increases and was aggressive in terms of store openings. During 1991, it opened 70 stores, ending 1991 with 365 units.

Stein Mart, Jacksonville, Fla., which recently filed an IPO, reported a 15% sales increase. This year, Stein Mart was added to the off-price list to better reflect its merchandise mix.

Overall, the top chains maintained their positions from a year ago. Marshalls and T.J. Maxx continue to outpace the others on the list.

T.J. Maxx continued edging toward the top, with a higher sales increase than Marshalls (15% compared to 8%) and more aggressive store openings (45 compared to Marshalls' 25).

In October 1991, Warren Feldberg, credited with working merchandising magic at Target Stores, was named chairman of Marshalls. In industry circles this was seen as a positive answer to some buying and distribution problems that were plaguing the chain.

Because he joined Marshalls late in the year, Feldberg's effect on the retailer will be more evident in next year's results.

T.J. Maxx, was the best retail performer in the TJX Cos. stable. Problems with the Hit or Miss division negatively impacted the parent company's overall performance.

Hit or Miss has taken measures to turn around, closing 75 unprofitable stores. Herb Yalof, a former Macy's executive, was named president of the chain early this year.

Loehmann's posted a 1.8% decrease in sales in 1991. The New York-based chain also reacted with some management reshuffling. It named Robert Friedman, another Macy's executive, president.

The third chain to report negative sales results was NBO, Fair Lawn, N.J. The struggling retailer posted a 1% decrease in sales for 1991, the second year in a row it reported a decline.

Top Off-Price Apparel Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Marshalls Andover, Mass.	$ 2,358	$2,183	8.0%	386	411	428	27
T.J. Maxx Framingham, Mass.	2,180	1,900	14.7	392	437	482	28
Burlington Coat Burlington, N.J.	966	887	8.9	159	171	186	55
Ross Stores Newark, Calif.	930	804	15.7	185	203	223	24
Kids "R" Us Paramus, N.J.	655	580	12.9	164	189	214	21
Filene's Basement Wellesley, Mass.	465	400	16.3	40	49	59	20
Loehmann's Bronx, N.Y.	389	396	(1.8)	77	83	87	13
Hit or Miss Framingham, Mass.	377	387	(2.6)	574	576	501	4
Goody's Family Clothing Knoxville, Tenn.	362	273	32.6	91	106	124	19
Dress Barn Stamford, Conn.	325	284	14.4	462	550	600	4
Syms Secaucus, N.J.	317	314	1.0	27	28	28	40
Clothestime Anaheim, Calif.	259	209	23.9	384	401	476	4
Stein Mart Jacksonville, Fla.	225	195	15.4	40	45	53	38
One Price Clothing Stores Spartanburg, S.C.	130	110	18.2	295	365	429	2
50-Off Stores San Antonio	128	77	66.2	46	66	96	20
NBO Stores Fair Lawn, N.J.	95	96	(1.0)	39	39	39	9
S&K Famous Brands Richmond, Va.	75	67	11.9	101	122	142	4
Total:	$10,236	$9,162	11.7%	3,462	3,841	4,167	—

( )—Decline

Source: DSN research

Toys Chains, Profits Fall Victim to the Recession

For the second year in a row, toy retailers succumbed to the pressures of the recession.

But 1991's economy claimed victims, not just profits.

Since last year:

- Both Lionel Kiddie City and Child World have filed Chapter 11 bankruptcy petitions, Lionel for the second time;
- Child World closed 80 stores and withdrew from numerous markets and states, leaving it with 71 core stores mostly in the Northeast;
- Melville absorbed the 136-unit K & K Toy chain into its Kay-Bee stores. A year before, the conglomerate acquired 330 Circus World stores from Greenman Brothers;
- Karl's Toys and Tons of Toys, which merged in 1990, closed more than half its stores last year, having suffered depressed sales and earnings related to the Persian Gulf War and the persistent national recession, said company president Joseph Chang.

Toy & Sports Warehouse and Toy King also closed.

Wal-Mart, Kmart and Target have continued to gain market share in toys, focusing attention on prominent toys at everyday low prices. Their advance and the weakening hold of the speciality toy chains have made them a real industry force. Wal-Mart holds about 10% of toy industry sales, estimated Sally Smith, retail analyst with Alex. Brown & Associates, Baltimore.

While profits in 1991 generally lagged behind 1990 at specialty toy chains, the company hit hardest by the harsh economic times and competition seems to be Child World. Prior to filing for bankruptcy protection from its creditors in April 1992, Child World had been trying to secure additional equity investors to satisfy demands by its banks. To shore up its balance sheet, the chain began closing stores and distribution centers last fall, including a Schaumburg, Ill. prototype, just two months after debuting it.

Top Toy Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Toys "R" Us[1] Rochelle Park, N.J.	$ 4,500	$ 4,180	7.7%	451	497	542	43
Kay-Bee[2] Pittsfield, Mass.	1,018	927	9.8	963	1,270	1,280	4
Child World[3] Avon, Mass.	580	829	(30.1	182	151	71	36
Lionel Kiddie City[4] Edison, N. J.	309	426	(27.6	99	71	71	37
Toy Liquidators Milwaukee	108	81	32.6	96	111	136	6
K & K Toys[5] Norfolk, Va.	50	68	(26.5)	136	0	0	3
Tons of Toys Los Angeles	20	45	(55.6)	52	30	34	7
Total:	$6,584	$6,557	0.4%	1,979	2,130	2,124	—

[1] Toys "R" Us: Figures are for U.S. toy stores only.
[2] Kay-Bee: 1991 figures include acquisition of K&K Toys.
[3] Child World: In Chapter 11.
[4] Lionel Kiddie City: Currently in Chap. 11.
[5] K & K Toys: Acquired by Melville's Kay-Bee chain in Oct. '91.
( )—Decline

Source: *DSN* Research

But even its new owner, Avon Investors, which took over for CNC Holdings last June as Child World's parent, couldn't save the retailer.

Competitive battles with Toys "R" Us grabbed headlines in 1991 when Child World accused Toys "R" Us of sending employees to Child World to purchase merchandise and then reselling it.

Consolidation, More Productive Stores Key in CE

The consumer electronics industry continues to consolidate, with the big growing bigger, the small getting smaller (or going out of business altogether).

In the past year, Newmark & Lewis and Polk Bros. both liquidated, Fred Schmid was purchased by Fretter, and Highland continued to downsize. Best Buy and Circuit City, now the two largest chains in the United States, were the main beneficiaries of the consolidation, but Fretter, Audio-Video Affiliates, now called Rex, and The Wiz all turned in strong years.

The trend is toward bigger, more productive stores. Tops, the New Jersey giant, pioneered the massive store, but BrandsMart USA, Best Buy and most recently Tandy, with its The Incredible Universe concept, have all adapted the bigger is better credo, with stores ranging from 30,000 sq. ft. to 160,000 sq. ft. at The Incredible Universe.

Also, a rapidly growing trend is the re-entry of software into what had become a strictly hardware business. As recently as 10 years ago, most major consumer electronics retailers routinely stocked music software. But the difficulty of managing the category, as well as the expense involved, slowly pushed software out.

Today, however, the emergence of computer software, as well as the soaring popularity of the compact disc and prerecorded video, has caused retailers to re-examine the issue. Best Buy has had major success in the category, particularly in terms of traffic building. The Incredible Universe plans to offer dominant selections in every class of software, and Circuit City is rumored to be looking at adding music in the near future.

Additionally, BrandsMart USA has significantly upgraded its computer software selection and added a buyer dedicated to the category.

While Circuit City, Best Buy and The Good Guys continued their strong growth trend, the year was remarkable for the success of previously fading chains like Audio-Video Affiliates, operator of Rex stores, and Michigan regional Fretter, both of which posted strong gains, as well as Luskin's, which dipped slightly, but seems to have stabilized its business. BrandsMart USA, Tops, and American TV continued strong growth curves as well, and the worst appears to be over for Highland.

Next year, Tandy's The Incredible Universe could leap to the upper reaches of the chart. While only two units have been announced so far (in the Portland, Ore. and Dallas markets), Tandy could open as many as 15 of the mega-

(Continued on page 106)

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Circuit City Richmond, Va.	$2,790	$2,367	17.9%	228	229	229	14
Best Buy Minneapolis	930	665	39.8	56	73	103	30
Silo Philadelphia	900	910	(1.1)	235	235	235	17
Highland Superstores Taylor, Mich.	575	860	(33.1)	92	49	49	
The Good Guys San Francisco	427	294	45.2	26	37	47	15
Tops Appliances[1] Edison, N.J.	400	380	5.3	3	4	5	50
American TV Madison, Wis.	290	260	11.5	8	9	9	80
The Wiz Brooklyn, N.Y.	284	250	13.6	30	37	40	15
Fretter Livonia, Mich.	280	217	29.0	61	82	82	15
Rex[2] Dayton, Ohio	202	164	23.2	90	98	110	NA
BrandsMart USA Miami, Fla.	197	134	47.0	1	3	3	35
Trader Horn Hasbrouck Heights, N.J.	160	160	0.0	18	18	18	15
Newmark & Lewis[3] Hicksville, N.Y.	130	192	(32.3)	98	24	0	14
J & R Music World Brooklyn, N.Y.	100	95	5.3	2	2	2	200
Luskin's Baltimore, Md.	86	90	(4.4)	32	32	30	10
Fred Schmid Denver	60	95	(36.8)	20	0	0	12
Total:	$7,811	$7,133	9.5%	1,000	932	962	—

[1] Tops Appliances: Company currently attempting to go public.
[2] Rex: Formerly listed as Audio-Video Affiliates.
[3] Newmark & Lewis: Liquidated in 1992.
( )—Decline NA—Not available or not applicable.

Source: DSN research

Megastores Threaten 2 Biggest Conventional Operators

As the sporting goods megastore continues to stamp its mark on the decade of the '90s, even more uncertainty besets the two largest operators of conventional sporting goods stores, Herman's and Thrifty.

Herman's has made official what the industry has known for two years: its British holding company owner, Isosceles PLC, has wanted to sell the chain since it acquired it two years ago, along with its previous supermarket parent, Gateway.

With megastores such as Kmart's Sports Authority rolling over the landscape, no investor group has stepped forward to purchase Herman's. The chain cast its lot with conventional size sporting goods stores, following a brief test of its own megastores in the mid-'80s.

And the fate of the three sporting goods chains that Thrifty operates remains undetermined, even though a Los Angeles investor group, Leonard Green & Partners, has agreed to buy the chains at fire sale prices.

In a deal expected to close within 60 days, the group has agreed to buy five of the retail chains that Thrifty operates from its parent, Pacific Enterprises. They include 267 sporting goods units: Big 5, 138; MC Sporting Goods, 76; and Gart Bros., 53.

If the deal goes through, what the investors will do with the chains remains the big question mark. Possibilities include trying to resell the chains, operating them themselves, although they aren't known as retail operators, or scrapping them for their real estate and inventory values.

Including the sporting goods stores, 744 drug stores and 42 discount department stores, Pacific Enterprises dumped all 1,050 retail units of its Thrifty subsidiary for $275 million, or an average of $291,900. It declined to reveal how much each chain fetched.

Thrifty refuses to break out sporting goods sales from its corporate total, but subtraction of drug and discount sales indicates about $590 million left for sporting goods, down a hair from $600 million in 1990.

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Herman's Carteret, N.J.	$ 600	$ 580	3.4%	250	259	274	10
Thrifty Corp.[1] Los Angeles	590	600	(1.7)	266	267	267	NA
Oshman's Houston	298	318	(6.3)	189	183	174	13
Sportmart Niles, Ill.	250	210	19.0	24	25	31	40
Sports Authority Fort Lauderdale, Fla.	241	105	129.5	19	36	54	38
Academy Houston	160	105	52.4	27	25	30	40
Sports Unlimited Tampa, Fla.	139	112	24.1	18	19	27	40
Modell's Sporting Goods East Meadow, N.Y.	108	91	18.7	36	39	40	15
SportsTown Atlanta	88	73	20.7	12	12	17	50
Total:	$2,474	$2,194	12.8%	841	865	914	—

[1] Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros., sporting goods chains.
( )—Decline NA—Not available or not applicable.

Source: DSN research

That indication might be generous, since another industry source estimated sales of $485 million in 1990 for the three chains.

Sporting goods sales rose a modest 2.4% in 1991 to $30.3 billion from $29.6 billion in 1990, estimated the National Sporting Goods Association in its annual market survey.

In contrast, sales rose an estimated 12.8% from $2.47 billion in 1991, from $2.16 billion

(Continued on page 106)

Economy Creates Bumpy Road for Auto Chains

As if auto parts retailers didn't have enough to worry about in a recession year, the Los Angeles riots struck hard at two chains, Chief Auto, Dallas, and Trak Auto, Landover, Md.

Chief lost six stores during the riots, and the buildings' landlords will need six to 12 months to rebuild them. Sales for Chief, which essentially were flat in 1991 at about $400 million, will be hurt 1% because of lost business.

Chief employees from surviving stores won plaudits from the Salvation Army for collecting 143 pallet loads of food and clothing to aid riot victims who had their homes burned.

Trak lost 14 units that it dropped from its store count, now down to 317, suggesting indecision about whether they will reopen them.

Thanks in large part to a 21.7% gain at AutoZone, Memphis, which went public last year, and a 13.2% increase at Pep Boys—Manny, Moe & Jack, Philadelphia, sales for the chains rose 7.5% to an estimated $5.73 billion in 1991 from about $5.33 billion the previous year.

On the losing side, Northern Automotive continued to weed out money-losing units purchased during its 1988 acquisition binge, reducing store count to 721 from a 1989 high of about 850. And PACCAR Automotive (formerly General Automotive), continued to close losers in its Grand Auto chain, including all eight units in the Los Angeles market.

Any expansion of PACCAR Automotive, the auto parts division of PACCAR, a heavy truck manufacturer, is coming from its Al's Auto Supply chain, which now accounts for about 40 of its 130 total units.

The automotives parts warehouse concept took a hit last fall when Auto Giant and Auto Depot, two start-up chains of entrepreneur Robert J. McNulty, both declared Chapter 11 bankruptcy. Auto Depot has closed its single warehouse unit in Sacramento, Calif., so is basically out of business, while Auto Giant closed one of three stores. It still hangs on in San Bernardino, Calif., and Las Vegas.

On the other hand, Auto Source, Indianapolis, the warehouse-size chain of Canadian Tire, Toronto, has opened its fourth unit of about 47,000 sq. ft. in Cincinatti and is building two more outlets for a total of six. The other two it will open this year are in Louisville, Ky., and Columbus, Ohio.

The warehouse concept also got an endorsement, of sorts, from Pep Boys, which joined the billion dollar sales club in 1991. For its new prototype, Pep Boys adopted last year a cost-cutting warehouse look for its conventional size store of 22,500 sq. ft. The new warehouse look consists of untiled concrete floors, an unfinished ceiling and warehouse racking intended to give Pep Boys more of a discounter image.

The next step that Pep Boys may take is to try to compete with the warehouse clubs by offering case lot, or even pallet load discounts for automotive oils and chemicals.

Western Auto, a subsidiary of Sears, continues to crank out 40 to 50 more stores a year, including units of its Tire America and NTW tire divisions. And Western Auto's new franchise operation, Auto America, is shifting into high

(Continued on page 108)

Top Automotive Specialty Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Western Auto[1] Kansas City, Mo.	$1,425	$1,300	9.6%	504	548	600	11
Pep Boys Philadelphia	1,002	885	13.2	313	337	367	23
AutoZone[2] Memphis, Tenn.	818	672	21.7	598	678	718	6
Northern Automotive[3] Phoenix	725	800	(9.4)	816	721	721	6
Chief Auto Parts Dallas	400	400	0.0	518	525	525	4
WSR Group[4] Chicago	375	320	17.2	299	326	350	7
Trak Auto Landover, Md.	320	293	9.1	331	333	335	5
Nationwise[5] Columbus, Ohio	315	290	8.6	270	289	289	9
PACCAR[6] Renton, Wash.	195	226	(13.7)	139	130	140	6
Hi/Lo Automotives[7] Houston	156	143	9.3	107	114	130	9
Total:	$5,730	$5,329	7.5%	3,895	4,001	4,175	—

[1] Western Auto: Includes company-owned Western Auto stores (375), 101 Tire America stores and 74 NTW tire stores.
[2] AutoZone: Figures for fiscal year ended in August.
[3] Northern Automotive: Includes Schuck's, Checker, Kragen, and Autoworks chains; sold 50-unit Crown Auto chain to Champion.
[4] WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss stores.
[5] Nationwise: Includes 30 Guarantee Auto stores.
[6] PACCAR: Includes General Automotive, Grand Auto and Al's Auto Supply chains.
[7] Hi/Lo: Went public in 1991.
( )—Decline

Source: DSN research

Home Decor Chains Cop Consumer Spending Boom

While the home store specialty segment is among the smallest in dollar volume (and the newest category in *DSN*'s specialty retail chart coverage), it is also one of the fastest growing.

IKEA, with just over a quarter of a billion dollars in sales, is the largest chain in the category, and is one of the fastest growing retailers in the United States.

But it is not alone. Both the revitalized Lechters and aggressive soft home off-pricer Bed Bath & Beyond grew about 25% last year, and other category leaders also showed strong growth trends, despite recessionary conditions that generally created havoc in the textile industries.

IKEA, of course, greatly accelerated its expansion through major U.S. markets by purchasing competitor STOR and taking on both New York and Los Angeles with so much success that it was forced to buy a full page in New York metro newspapers to apologize to area shoppers for frequent out-of-stocks due to demand nearly three times projections.

Lechters, which had been nearly stagnant over the past few years, expanded rapidly in 1991, and added a new, upscale format to its primarily basic mall store base. With over 500 locations projected by year-end, the expansion should continue through 1992 as well, and the chain could conceivably pass IKEA, which plans only one store opening this year.

Bed Bath & Beyond, which is in the process of going public, could also jump a place in the top 10 this year, as its recession-muted sales pick up and its debt-free balance sheet allows it the freedom to expand. Its latest prototypes, in major outlet malls across the country, has led to bigger, more productive stores, and the chain's single-minded adherence to everyday low pricing, even while competitors promoted heavily, has created intense customer loyalty.

Linens 'n Things, the Melville Corp. subsidiary, and Waccamaw both reported basically flat years, but both are testing new prototypes and may spend the next year or two retrofitting older, less competitive stores, which will position them both for future growth.

Overall, this category has demographics in its favor. Americans are more than ever home- and value-oriented. IKEA has been a stunning success here because of its outstanding value, and other major players, like Bed Bath & Beyond and Waccamaw have established reputations for quality, innovative products and value.

As consumers build the "headquarters" vision of home, the place around which they order their lives, Americans can be expected to devote considerable and increasing resources to the home and its furnishings. And that, in turn, should make this category a strong growth area through the 1990s.

Top Home Specialty Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
IKEA N.A.[1] Plymouth Meeting, Pa.	$ 284	$169	68.0%	6	10	11	200
Lechters, Inc. Harrison, N.J.	234	188	24.5	364	438	528	3
Linens 'n Things Clifton, N.J.	221	202	9.4	141	143	151	9
Bed, Bath & Beyond Springfield, N.J.	168	135	24.1	27	34	44	44
Waccamaw Corp. Myrtle Beach, S.C.	166	155	7.1	24	29	29	85
Linens Supermarket Fort Lauderdale, Fla.	63	57	9.6	65	65	65	NA
Curtains & Home Plainview, N.Y.	44	44	0.0	40	40	40	20
Cargo Express Hudson, Ohio	22	19	15.8	31	29	44	12
Total:	$1,201	$969	24.0%	698	788	912	—

[1]IKEA: Store count reflects acquisition of STOR in Dec. '91.
( )—Decline

NA—Not available or not applicable.
Source: DSN research

Wal-Mart Coming Up Fast in SuperCenter Derby

Wal-Mart is poised to do to the supercenter/hypermarket industry what it did to the general merchandise discount business: first become the dominant player and then pull away from the rest of the field.

The big difference is that it will likely take Wal-Mart SuperCenters only four years to lead the field, rather than the almost three decades it took Wal-Mart to become the No. 1 discounter.

The supercenter/hypermarket industry's volume grew 15% last year and is projected to jump about 18% this year and approach $10 billion.

Again leading the charge are Meijer and Fred Meyer, which are maintaining their measured regional growth, the former in the Michigan-Ohio area and the latter in California and the Northwest. While both are billion dollar retailers, neither has exhibited any interest in multiregional, much less, national expansion.

Nor for that matter has such an interest been shown by any of the other combo chains that comprise the industry, most of which operate an average of a dozen stores in one or two states and a few running one to three units in a single metro market.

The exceptions are Wal-Mart SuperCenter and Super Kmart Center.

Kmart is still searching for the right supercenter format, having first opened three American Fare hypermarkets as a test and then launched Super Kmart Center as its more definitive attempt to refine its effort. It will add three more Super Kmart Centers this year as it continues to seek the right footage and mix of food and general merchandise for a store that it targets for $50 million in yearly sales.

While Kmart isn't set to roll out its combo stores and multiregional expansion is just a gleam in management's eyes, Wal-Mart is roaring ahead, stepping up its opening schedule this year from the original dozen stores to 15 to 20.

But that doesn't even hint at Wal-Mart's sophisticated underpinning for the Wal-Mart SuperCenter venture and its impact or future development.

The discounter's backing for its combo operation involves using the food merchandising and food distribution expertise of two other Wal-Mart divisions, McLane and Phillips, to provide the supermarket marketing knowledge to match the discounter's general merchandise sagacity. This interfacing includes using McLane's distribution background to operate the 700,000-sq.-ft. grocery distribution center due to be opened next year in Clarksville, Ark., that will supply foods to the combo stores.

The Clarksville location means that the initial extensive Wal-Mart SuperCenter roll out will first take place in rural and suburban communities within about a 300 mile radius, followed by a thrust into metro markets.

Wal-Mart is expected to steadily increase the opening pace for the combo stores so that it will have more than 175 units by the end of 1995, at which point the supercenter sales should reach over $8 billion.

Top Supercenter/Hypermarket Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Meijer Grand Rapids, Mich.	$3,500	$3,000	16.7%	57	65	72	200
Fred Meyer Portland, Ore.	2,700	2,400	12.5	97	94	98	175
Wal-Mart SuperCenter[1] Bentonville, Ark.	600	530	13.2	7	10	25	160
Bigg's Milford, Ohio	350	350	0.0	6	6	6	150
Super Kmart Center[2] Troy, Mich.	300	200	50.0	5	6	9	150
Big Bear Plus Columbus, Ohio	190	100	90.0	5	9	12	120
Dahl's Des Moines, Iowa	175	175	0.0	13	13	13	130
Twin Valu Minneapolis	110	100	10.0	2	2	2	180
Holiday Mart Honolulu	100	110	(9.1)	3	3	3	85
Laneco Palmer, Pa.	100	100	0.0	14	14	15	80
Carrefour Philadelphia	80	84	(4.8)	1	1	2	160
Click Akron, Ohio	70	60	16.7	9	10	11	150
Leedmark[3] Glen Burnie, Md.	60	0	—	0	1	1	130
Giant Family Center Mount Pleasant, Mich.	55	55	0.0	13	13	13	55
Auchan Woodridge, Ill.	50	55	(9.1)	1	1	1	230
Total:	$8,440	$7,319	15.3%	233	248	283	—

[1]Wal-Mart SuperCenter: Includes 4 Hypermart USAs.

[2]Super Kmart Center: Includes 3 American Fares.

[3]Leedmark: Open for 6 months of 1991.

( )—Decline

Source: DSN research

Wal-Mart executives have called the combo stores the third leg supporting the diversified retailer's growth. However, this leg, long term, is the company's main growth vehicle as the combo stores are projected as replacements for older Wal-Mart general merchandise units and even as co-anchors with Sam's Club membership warehouses.

Sears, Ward Turnarounds Following Different Pace

The battle to recreate Sears appears to be paying some dividends, at long last.

The company's retail sales dipped slightly last year, but profits improved (although not to historical levels) and the remerchandising of the chain has continued apace.

Sears has concentrated its efforts on cost-reduction (20,000 layoffs) and the incorporation of traffic-building categories like video games, computers and even trading cards to bolster its core businesses like white goods, automotives and tools.

Apparel has not fared as well. Despite the addition of key brands like Levi's Dockers and OshKosh, Sears has never been able to overcome its stodgy image in fashion areas. However, strategies like the addition of upmarket brands of computers are likely to draw what in previous years would have been the Sears core shopper, the middle-class head of household, back into Sears stores. And, Sears hopes, those shoppers will stay long enough to see the new-look apparel departments.

Nevertheless, Sears has a long way to go. Five years ago, its sales of merchandise netted $500 million; last year, that figure had plummeted to $90 million. The merchandising group as a whole is now dominated by the earnings of Sears' formidable credit card operations, which earned $394 million last year.

But no one said turning Sears around would be easy. Management, led by Edward Brennan, was forced to put down an investor revolt at the latest annual meeting, and shareholders tired of waiting for results from the company's now five-year-old restructuring plan. The task has been likened to turning a battleship in a stream, as the unwieldy, highly regimented merchandising structure has resisted change. Old line employees are reportedly disenchanted and demoralized.

With 1991 sales of $5.6 billion, Ward seems to have accomplished what Sears is still struggling with: turning itself from a general merchant to a collection of destination specialty stores.

Its CE concept, Electric Avenue, is an aggressively priced, full-scale business that is highly competitive, in terms of price and selection, with CE superstores like Circuit City and Best Buy. Other specialty businesses, like domestics, women's apparel and automotives, appear to be solidly profitable, and the chain as a whole has turned a solid if unspectacular profit every year since its reformulation.

The only weak point seems to be the company's rapid turnover of top executives, apart from chairman and ceo Bernard Brennan. The latest to go: Gary Vasquez, who was in charge of soft home goods and Phil Garrison, the ex-Silo merchandising manager, who briefly ran Electric Avenue. Both executives were high-profile new hires, and neither one of them lasted a year at Ward, which may indicate some lack of direction in upper management.

Top Specialty Mass Retailers

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Sears[1] Chicago	$19,805	$19,823	(0.1%)	863	868	875	NA
Montgomery Ward Chicago	5,600	5,128	9.2	333	356	370	135
Total:	$25,405	$24,951	1.8%	1,196	1,224	1,245	—

[1] Sears: Sales include U.S. Sears stores only.

( )—Decline

NA—Not available or not applicable.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT

Closeouters Lure Customers by Purse Strings

A hot retailing concept, mall-quality closeout stores that specialize in goods that sell for a dollar, has emerged from the staid closeout industry.

And Wal-Mart is coming.

Dollar volume this year for dollar closeout chains is expected to hit close to the 1991 sales of $543 million for MacFrugal's Bargains—Close-Outs, the nation's second largest closeout chain.

That compares with total closeout sales of $1.83 billion in 1991, a 16.6% gain from $1.57 billion the previous year. Everything's a $1, the largest of the dollar chains, paced the closeout industry with a 115% jump in sales.

During a recession year, value-conscious consumers helped closeout retailers enjoy another banner year, on top of the 12.9% gain in 1990.

Consolidated Stores launched last year its own dollar concept store, called All For One. It retained Retail Planning Associates, Columbus, Ohio, to design an upscale store that is classy enough for Mall of America, the nation's largest mall that features the likes of Nordstrom's.

Dollar Discount Stores, a small chain of franchised, full-line closeout stores based in Philadelphia, is converting some of its 35 stores to one-dollar concept and expects to have about 12 open by year-end.

A merchandising trend that is developing in the dollar closeout chains is the production of goods expressly for the market, such as smaller packages of potato chips or pretzels that sell for a dollar, or two for a dollar.

MacFrugal's, formerly Pic 'N' Save, had to change its name last month to settle a lawsuit brought by Pic 'N' Save, a chain of full-line discount stores based in Jacksonville, Fla. MacFrugal's started using the Pic 'N' Save name in 1956 but failed to register it. The Jacksonville, Fla., discounter began using the name in the '60s and ensured its legal right to the name by registering it. Last year the Florida retailer sued to protect its rights to the name.

Under terms of the settlement, MacFrugal's may continue to use the Pic 'N' Save name for its 60 or so California stores but changed both its corporate name and that of the rest of its 193 stores.

On a positive note, MacFrugal's now is listed to trade on the New York Stock Exchange. Another new name to reckon with is Bud's (the warehouse outlet, not the beer), as in Bud Walton, brother of Sam.

Top Closeout Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Consolidated Stores Columbus, Ohio	$ 753	$ 662	13.7%	337	398	438	25
MacFrugal's[1] Dominquez, Calif.	543	529	2.6	191	193	203	20
Everything's A $1 Milwaukee	128	59	115.3	105	207	407	3
Tuesday Morning Dallas	123	107	14.5	138	150	175	8
Building #19 Hingham. Mass.	90	85	5.9	10	10	10	75
Odd Job Trading New York	75	65	15.4	18	20	23	15
Dollar Tree Stores[2] Norfolk, Va.	71	53	34.0	130	186	260	3
Bud's Warehouse Outlets Bentonville, Ark.	50	10	400.0	4	21	45	50
Total:	$1,832	$1,571	16.6%	933	1,185	1,561	—

[1] MacFrugal's: Formerly called Pic 'N' Save.

[2] Dollar Tree Stores: Operates as Only a $1 and Dollar Tree Stores.

Source: DSN research

Following a two year test, Wal-Mart is getting serious about the closeout business. It began 1991 with four stores, closed out the year with 21 stores and recorded $50 million in sales. Bud's expects to end 1992 with 45 stores.

Bud's recycles old, small Wal-Mart stores and fixtures. "They can't do anything else with the stuff, so they give it to me," Bud Walton told stockholders at Wal-Mart's annual meeting last month.

For this year's first quarter, sales totaled $16.5 million and the division enjoyed a 9.97% profit margin, Walton said, noting, "Bud's is a very, very promising division."

With an average of 50,000 sq. ft., Bud's units rival in size the 75,000-sq.-ft. average of Building #19, which specializes in goods damaged during shipment.

Tuesday Morning, a unique closeout chain that operates only during four peak selling seasons, including Easter and Christmas, is proceeding apace with its expansion plans of operating 250 stores by 1995. Now running 152 units, Tuesday Morning expects to open 23 more for the year, including units in new markets of Milwaukee and Huntsville, Ala.

Top Dollar Store Sales Blossom in Hard Economic Times

The recession of 1991 stimulated sales at one of the only retail channels to flourish in a depressed economy: dollar stores.

While much of the retailing industry was in the doldrums during 1991, the two dominant dollar store chains—Family Dollar and Dollar General—continued to rack up double-digit percentage sales and operating income.

Sales volume surges at these two chains were fueled not only by aggressive store expansion but also comparable store sales gains. Operating profits were strengthened by cost-cutting measures in distribution and inventory levels, and were upped further by sales of high gross margin private label goods, especially at Family Dollar.

Family Dollar's comparable store sales gains for the year were 7.5%, while Dollar General stores were up 11.6% over the previous year. Family Dollar's everyday low price policy, expanded private label program and multizone pricing strategy—coupled with a store format with greater emphasis on apparel—are expected to push this chain over the $1 billion sales level by the end of the fiscal year (Aug. 31, 1992).

Operating profits soared by about 34% at Family Dollar and 50% at Dollar General during these chains' last fiscal year.

Bruce Quinnell, vice president, treasurer and chief financial officer with Dollar General, acknowledged that the challenge facing the dollar stores is to maintain shopper levels once the recession has abated. Quinnell believes that the conspicuous spending of the 1980s has changed in the 1990s; instead of boasting about how much something costs, consumers now are proud of buying for less, making dollar stores increasingly attractive places to shop, he said.

While Family Dollar is based in North Carolina and Dollar General's headquarters is split between Scottsville, Ky. (buying staff) and Nashville, Tenn. (executive staff), both chains have expanded into nearly identical territories: roughly the eastern half of the country. But Family Dollar is reaching up the high-population Northeast coast more quickly with 27 units in New York and its first store in Massachusetts.

Store closings of some of the less profitable units at Bill's Dollar Stores—primarily those with less than 5,000 sq. ft. of selling space—lowered that chain's total sales figure for the year. However, the decision to close stores has delivered profit gains early in 1992. Bill's management expects to rebuild its store base during this year and next, having trimmed away the underperforming units.

Bargain Town, while still operated by Montgomery-based, Enstar Corp. during 1991, was sold this year to Variety Wholesalers, based in Raleigh, N.C. As a result, Variety Wholesalers now operates more than 550 stores under various trade names including Maxway, Allied, Pope/Eagle, Super Dollar, Value Mart and now Bargain Town.

Top Dollar Discount Store Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Family Dollar Charlotte, N.C.	$ 989	$ 874	13.1%	1,680	1,759	1,879	7
Dollar General Scottsville, Ky.	754	653	15.5	1,461	1,522	1,612	6
Bill's Dollar Stores Jackson, Miss.	240	250	(4.0)	555	535	550	6
Bargain Town Montgomery, Ala.	59	59	0.0	67	67	67	12
Total:	$2,042	$1,836	11.2%	3,763	3,883	4,108	—

( )—Decline

Source: DSN Research

***Bill's Dollar Stores**, ranked as the third largest dollar discounter, expects to rebuild its store base through next year.* (DSN photo)

Top Chains Secure Firm Hold on Office Niche

In 1991, the four largest office superstore chains—Office Depot, Staples, BizMart and OfficeMax—moved swiftly to expand their businesses and dominate the markets they serve.

In fact, the top four chains accounted for 86% of the $3 billion in sales rung up by office superstores, up from 82% of $1.9 billion from the previous year.

These four chains increased their share of the total business largely by expanding their store base and through the acquisition of weaker chains.

The top office products chains also strengthened their businesses from within, by diversifying their product mix, especially by adding and upgrading their offerings in computer hardware and software, and adding services.

At the same time, the weaker chains, those unable to secure sufficient financing to expand, were steamrolled by the stronger players and wrenched by the faltering national economy.

Falling to the vicissitudes of business and the recession were Super City, Tucson, Ariz.; Action, Indianapolis; Office Stop, San Antonio; and HQ Office Supplies Warehouse, Long Beach, Calif.

In the case of HQ, its 14 stores were acquired by BizMart and Staples by spring 1991. And OP Club, the by-product of the early 1991 merger between The Office Place and OP Club, is now down to six stores from a high of 40.

The largest acquisition of the period was made by Office Depot, a move that helped push the chain's sales over the $1 billion mark.

In acquiring Office Club, Office Depot gained an important foothold in the California market, one in which Staples was vigorously expanding. Since then Office Depot has worked to solidify its position in California and elsewhere by converting all of the Office Club stores to Office Depot's, a project it completed just two months ago.

OfficeMax, now about to complete its third acquisition, had an active 1991, as well.

***Staples** plans to expand its style of office supply retailing beyond North America.*

Top Office Supply Megastores

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Office Depot[1] Boca Raton, Fla.	$1,301	$ 903	44.1%	228	290	345	22
Staples Newton, Mass.	547	299	83.1	74	123	179	14
BizMart Dallas	493	259	90.3	51	69	99	24
OfficeMax Beachwood, Ohio	245	124	97.6	46	79	180	20
OW Office Warehouse[2] Virginia Beach, Va.	140	80	75.0	23	42	0	23
Arvey Paper & Office Products Chicago	110	110	0.0	40	40	40	17
WORKplace[3] Pinellas Park, Fla.	80	60	33.3	8	10	0	20
Office America Richmond, Va.	53	40	33.0	14	19	24	19
The Paper Cutter Liverpool, N.Y.	29	24	20.8	26	33	37	11
National Office Warehouse Columbus, Ohio	16	16	0.0	2	2	2	90
Total:	$3,014	$1,915	57.4%	512	707	906	—

[1] Office Depot: 1991 results include one-time charge of $8.9 million for acquisition of Office Club chain.

[2] OW Office Warehouse: Earnings are net income; purchased by OfficeMax in June '92.

[3] WORKplace: Acquired by Staples in 1992.

( )—Decline NA—Not available or not applicable.

Source: DSN research

The once-independent chain sold all but 7% of itself to Kmart last year and has now scheduled to complete its purchase of OW Office Warehouse, whose stronghold had been located in the Virginia Beach and the Philadelphia area.

Previous to OW, OfficeMax acquired Office World, formerly headquartered in Great Neck, N.Y., and Office Square, Kmart's initial entry into office products retailing.

Staples, the No. 2 chain, recently completed its acquisition of WORKplace, and upped its stake in Business Depot, a growing chain in Canada.

Staples also is looking to expand its brand of office retailing outside the U.S. and Canada.

Remaining on *DSN*'s top 10 list is Arvey Paper & Office Products, which appears stalled at $110 million in sales. Also appeariing on *DSN's* top 10 list are Office America, a privately-held chain that appears to be growing incrementally in sales and store count and keeping a low profile, and National Office Warehouse, a small two-unit company owned by the Wasserstrom Co.

New TV Retailers Try to Grab Viewers' Attention

The growth in TV home shopping sales slowed down in 1991, but the industry's potential continues to attract new players as well as the jockeying for market share by the two companies that comprised the electronic retailing business.

These two companies, the Home Shopping Network and QVC Network, generated $1.965 billion in sales in 1991, with the former accounting for 53% of the volume and the latter 47%.

The industry's newest entry was ValueVision International, which garnered $323,070 in sales from its initial operations during its fourth quarter, ended Jan. 31, 1992.

ValueVision, during its developmental fiscal year, had the smallest reach in the TV home shopping field, with a potential full- and part-time audience of about 3.2 million TV households from owned and affiliated low-power TV (LPTV) stations—its initial market niche.

It also purchased time on three cable TV stations, plus about three million satellite dish viewers. Since then, it expanded its potential viewership by signing on cable TV stations in over 30 markets so that its audience has grown to about 8 million households: about 2.9 million cable TV viewers, two million LPTV households, and 3.1 satellite dish owners.

The market jockeying between QCV and HSN also focused on increasing potential viewing audiences.

The jockeying saw QVC launch its second shopping service in October. That move resulted from QVC signing a licensing agreement with the JCPenney TV Shopping network to replace the teleretailing service that JCPenney had provided to a number of cable TV systems. QVC aired its basic program to systems that weren't carrying its show and launched the QVC Fashion Channel on cable TV systems that had been carrying both QVC and JCPTV.

QVC's reach last year went to 36.3 million cable homes able to view the network full-time from 29.4 million while part-time viewers dropped to 3.8 million households from 4.1 million. Satellite dish owners can also receive QVC and HSN.

While QVC transmits its programs only via cable TV systems, HSN airs a trio of teleselling shows over cable and both full-power and LPTV broadcast TV stations.

HSN has focused on boosting its broadcast reach as its cable TV audience has shrunk due to QVC's stronger hold on this market. Major stakes in QVC, in fact, are held by a number of cable companies.

HSN's potential viewership for its main program HSN 1 includes 18.3 million households able to receive the show over 1,450 cable systems, up from 17.8 million homes receiving the program over almost 1,500 cable systems. Its second teleselling effort, HSN 2, has a mixed audience of 9.3 million cable households and 28.3 million broadcast TV homes. A year ago, HSN 2's audience included 9.6 million cable households and 28 million broadcast TV homes.

Top Electronic Retailers

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change
Home Shopping Network[1] Clearwater, Fla.	$1,043	$ 980	6.4%
QVC Network[2] West Chester, Pa.	922	776	18.8
Total:	$1,965	$1,756	11.9%

[1]HSN sales only; excludes shipping revenues, subsidiary sales.

[2]QVC Network: Sales include Sears product sales in 1991 of $22 million and $38 million in 1990.

Source: DSN Research

HSN Spree, its third program is to air either full or part-time by 88 broadcast stations, up from 73 outlets.

The TV shopping field is likely to undergo vast changes starting in 1993 due to major technology changes. For example, technology that will allow a cable system to triple the number of channels using current equipment is seen as increasing the industry's interest in home shopping as one type of programming to fill up the expanded market.

Waiting in the wings are an undetermined number of start-up companies that are expected to sell merchandise and provide other services using the TV industry's newest technology, interactive Video Data Service. That technology's current leading sponsor, TV Answer, is waiting for government approval of its system. After that it plans to franchise its technology to companies that will provide interactive TV services, including shopping, in local markets.

Without Crafts, Variety Stores Languish

Variety store chains, which had already discovered the crafts category as one that could boost store sales volume and profits, deepened their commitment to the business during 1991.

With the exception of Fred's, most other variety store retailers that have not positioned themselves as a destination stop for craft supplies reported lackluster sales performance last year. Some of these chains include:

- Woolworth Corp., whose U.S. variety store sales, store count, and operating profits were down for the year, although the chain intensified penetration of the New York metropolitan area with the acquisition of the Lamston chain;
- McCrory Stores, which had also closed stores and reported a sales decrease, and filed for Chapter 11 bankruptcy;
- Sprouse-Reitz, which reported declining sales despite no decline in store count. However, the chain recently had its plan of reorganization approved and now is creating both destination craft shops (among other changes) within its stores, and last month commenced a test of a crafts-only store located in Salem, Ore.

Ben Franklin and Winn's operate freestanding crafts stores and V&S Variety stores has beefed-up its crafts department.

The fact that Ben Franklin variety store franchisors averaged a 1% comp store sales decrease while its craft store franchisors reported a 7% comp store increase further illustrates the significance of crafts to the otherwise ailing variety store business.

Ben Franklin is also gradually increasing the number of company owned stores it operates—all of them Ben Franklin Crafts stores—and expects to have 10 by year-end.

Tim Foster, vice president, operations at Sprouse-Reitz, described the function of crafts within variety stores: "In 'peril' markets—where we would be the seventh best discount store—we are trying to find a niche in the craft area. We think crafts retailing is a growing segment in the country . . . Rather than being a one size fits all retailer, we're trying to customize."

A Sprouse test store in Hermiston, Ore., which is half crafts and half variety store, is already reporting double the volume it did as a typical Sprouse variety store.

At V&S Variety Stores, the chain went from averaging 2,000 craft related skus per store to 8,000 in roughly the last 18 months, noted a chain spokesman who commented: "We've really expanded the emphasis of crafts and separated the department."

Top Variety Store Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Woolworth New York	$2,068	$2,151	3.9%	1,506	1,465	1,494	NA
McCrory Stores York, Pa.	1,354	1,509	(10.3)	1,147	819	824	13
Ben Franklin[1] Carol Stream, Ill.	1,100	1,000	10.0	988	968	980	8
Fred's Memphis, Tenn.	292	284	2.8	136	144	154	13
Sprouse-Reitz[2] Portland, Ore.	185	224	(17.5)	192	192	164	17
Winn's[3] San Antonio	169	168	0.6	230	250	255	13
V & S Variety[4] Chicago	140	123	13.8	1,974	2,041	2,041	8
Total:	$5,308	$5,459	(2.8%)	6,173	5,879	5,912	—

[1]Ben Franklin: Sales represent company estimates for franchised and company-owned variety and craft stores; excludes wholesale revenues.
[2]Sprouse-Reitz: Filed for Chapter 11 in November 1991; reorganization approved June 1992.
[3]Winn's: Reflects variety and craft store operations.
[4]V & S Variety: Reflects variety and variety/hardware combo stores.
( )—Decline
NA—Not available or not applicable.

Source: DSN research

A Year of Acquisition, Expansion at Crafts Chains

High drama best describes the specialty crafts and fabric chain industry during the past 12 months.

Last year, the following noteworthy events occurred:

- Michaels Stores named a new president and reported a tripling of its first half earnings to $1.5 million;
- Leewards, which attempted to go public, was forced to pull back at the last minute and ultimately asked the vendor community for an extended payment plan to avoid bankruptcy;
- House of Fabrics continued its aggressive expansion with the acquisition of both the Fabricland and Fabric King;
- Similarly, Fabri-Centers of America acquired 18-unit New York Fabrics of Pleasant Hill, Inc. and 10-unit Giltex;
- Northwest Fabrics & Crafts, a division of ConAgra, acquired Crafts & More from Ames discount stores with plans to rename them Rainbow Bay Crafts. While Northwest Fabrics & Crafts will remain predominantly an apparel fabrics retailer, Rainbow Bay will—like Crafts & More—be a crafts retailer with a craft fabrics section.

While the crafts industry is certainly in flux, overall, comparable store sales increases are becoming a norm as retailers and manufacturers invest in technology that enables them to keep inventory reflective of consumer demand. Attention to internal cost structure and inventory levels also led to bottom line improvements.

Michaels reduced its bank debt during 1991 and was debt free by year-end. A secondary offering of 3.45 million shares in January 1992 raised more than $61 million in new equity. Michaels plans to have 205 stores by January 1994.

Frank's Nursery & Crafts is currently installing a VSAT (very small aperture terminal) satellite communications system at headquarters, and during the first quarter of 1992, all stores will be equipped with a satellite dish and equipment to support satellite communications, allowing stores to send and receive sales and inventory information via satellite.

The lawn & garden/crafts retailer plans to open 15 stores this year, with the goal of more than 400 locations in total by 1995. Total sales for Frank's Nursery & Crafts rose to $520 million in 1991 from $515 million, while craft and Christmas sales were up to $236 million from $234 million.

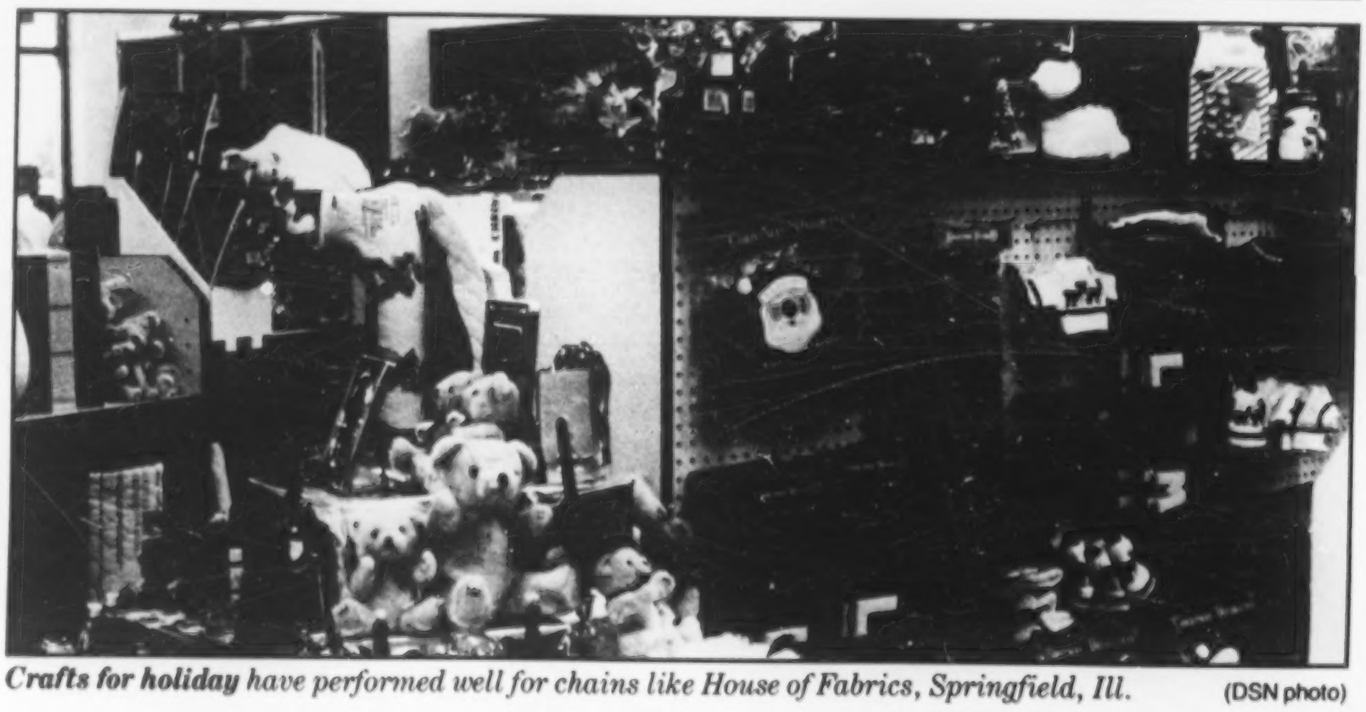
Michaels Stores registered a 9.1% comparable store sales gain in 1991. At Leewards, comp store sales rose 5.5% last year. Fabri-Centers of America recorded a comparable store sales gain of 12%; MJ Designs reported comp store sales rose 20%; and at Rag Shops, comp store sales surged ahead 13.1%.

Top Craft Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
House of Fabrics Sherman Oaks, Calif.	$ 493	$ 393	25.4%	604	667	669	10
Fabri-Centers of America Hudson, Ohio	447	385	16.1	617	664	690	10
Michaels Stores Irving, Texas	411	362	13.5	137	140	165	17
Franks Nursery & Crafts[1] Detroit	236	234	0.9	268	276	291	13
Leewards Creative Crafts Elgin, Ill.	159	131	21.1	92	87	87	14
MJ Designs[2] Irving, Texas	104	86	20.9	24	25	27	19
Rag Shops Hawthorne, N.J.	58	46	25.7	44	48	53	9
Total:	$1,907	$1,637	16.5%	1,786	1,907	2,012	—

[1]Franks Nusery & Crafts: Sales represent only craft and Christmas merchandise; store size excludes exterior selling area.
[2]MJ Designs: Sales represent retail revenues only.

Source: DSN research



***Crafts for holiday** have performed well for chains like House of Fabrics, Springfield, Ill.* (DSN photo)

DISCOUNT INDUSTRY ANNUAL REPORT

Drug Chains Get Mixed Dose of Medicine in '91

Deep discount drug stores proved once again that the consumer wanted value in 1991. Total sales for the category were up, but deep discount drug stores had their share of mishaps for 1991. A recessionary economy did not escape this market.

Drug Emporium had a 20% increase in sales. However, due to its continuing conversion of franchised units to company-owned stores and the costs of an inventory-error adjustment, the chain reported a loss of $4.7 million compared to net income of $6.6 million a year earlier. The chain now has 129 company-owned stores, compared to 104 franchised units.

Drug Emporium is continuing to centralize its operations in order to improve performance. It cut down its regional offices from 12 to five and consolidated its purchasing, accounting and marketing operations in its Columbus, Ohio, headquarters. The drug chain also changed the focus of the company from store expansion to improving sales and profits.

Nichols Pharmhouse also had only modest results. It reported flat sales for 1991, but the chain is poised for some growth. It emerged from Chapter 11 bankruptcy in December 1991 and store expansion is likely.

And while one chain emerges from the ashes, another bites the dust.

Dot Discount Drug, which was begun by Wal-Mart and sold by them in 1990 after deciding that deep discount drug stores were not in its future, went out of business in February 1992. The stores were converted to Phar-Mor units.

Two of the leaders in this market did concentrate on store expansion, especially focusing on making inroads with entries in new markets. For both F&M and Phar-Mor, the Northeast and Middle Atlantic states presented expansion opportunities. Phar-Mor also expanded into the South and on the West Coast.

For F&M, 1991 was a benchmark year, as it surpassed the 100-store count with 15 openings during 1991. Though smaller in store size than its competition, F&M has managed sales increases through what may seem like untraditional means. The chain rarely advertises and its EDLP policy has virtually eliminated sales promotions.

Phar-Mor also had an impressive 1991, edging closer to $3 billion in sales. By year-end, it will also exceed the 300-store mark. It plans to open another 60 stores throughout 1992. Included among these openings is its first foray in the New York metro area.

Like many chains looking to distinguish themselves in a crowded and competitive field, Phar-Mor has taken to testing departments outside its traditional mix and base of expertise. Last year, Phar-Mor opened a Mrs. Fields cookie franchise in one unit and recently opened another. Also being tested in a limited way is licensed sports apparel and optical centers. Phar-Mor has never been gun-shy about entering new categories. Office furniture is another untraditional product category that they have featured.

ALP Freddy's did well in 1991, under a new name and new management put in place during the second half of the year. Melville Corp., sold the Freddy's division to A.L. Price in August 1991 to concentrate on its CVS and Peoples drug chains. The ALP Freddy's name reflects the consolidation of the two chains.

Top Deep Discount Drug Chains

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Phar-Mor Youngstown, Ohio	$2,860	$1,600	78.8%	232	291	351	65
Drug Emporium[1] Columbus, Ohio	746	624	19.6	NA	129	129	NA
F&M Distributors Warren, Mich.	700	588	19.0	95	107	113	NA
Marc's Middleburg, Ohio	325	310	4.8	21	23	23	NA
ALP Freddy's[2] Woonsocket, R.I.	275	264	4.2	43	38	38	25
Rockbottom Port Washington, N.Y.	230	225	2.2	29	31	33	17
Rx Place New York	125	110	13.6	22	25	26	26
Nichols Pharmhouse[3] New York	90	90	0.0	19	14	14	35
Drug Palace Shiremanstown, Pa.	81	82	(1.2)	40	40	40	NA
SupeRx Deep Discount[4] Cincinnati	64	59	7	NA	13	14	NA
dot Discount Drugs[5] Lenexa, Kansas	50	76	(34.2)	14	0	0	20
Cost Cutters Somerville, N.J.	47	45	4.4	9	10	12	25
Price-Less Drug Co. Rancho Cordove, Calif.	20	17	17.6	2	3	4	20
Total:	$5,613	$4,031	39.2%	526	724	797	—

[1]Drug Emporium: Figures for company-owned stores only.
[2]ALP Freddy's: Formerly Freddy's, a division of Melville Corp., sold to A.L. Price August 1991.
[3]Nichols Pharmhouse: Emerged from Chapter 11 December 1991.
[4]SupeRx Deep Discount: Parent Hook-SupeRx became public June 1992.
[5]Dot Discount Drugs: Out of business as of February 1992.
( )—Decline NA—Not available or not applicable.

Source: DSN research

***Drug Emporium** has changed its focus from store expansion to improving sales and profits.*

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Joint Ventures Fuel Retail Interest in Mexico

Last year will be remembered as the year when the retailing and manufacturing community suddenly turned its sites on Mexico as Wal-Mart and Price Co. pioneered a new retail terrain.

Wal-Mart's and Price Co.'s joint ventures with Mexico's dominant discount retailers—CIFRA and Controladora Comercial Mexicana—respectively, have created a stampede of retailers and manufacturers looking to follow these U.S. retail leaders into one ~~of the~~ most promising, and geographically convenient, lands of opportunity.

The Mexican retailers in joint ventures with Wal-Mart and Price enjoyed significant net income gains last year.

Grupo Gigante, has entered into a joint venture with Fleming Cos.

Controladora Comercial Mexicana reported a 48% gain after discounting the effects of inflation while CIFRA reported a 22% improvement over the previous year.

Controladora Comercial Mexicana commands 21% of total self-service square footage while CIFRA represents 14%, according to ANTAD, the Mexican self-service retail trade organization.

Wal-Mart and Price Co. were among those best positioned to recognize the opportunity posed by Mexico; customer traffic to locations along the Mexican border and shopping habits revealed by membership card data suggested the Mexican consumer and small business operator welcomed the warehouse club format.

Now the crossborder shopping has reversed somewhat. Price Club de Mexico estimated that 20% of its shoppers already had a membership card from the U.S. (but were Mexican citizens) when they entered the warehouse in Mexico City, according to a source with Price Club de Mexico.

As other retailers continue to examine the potential of Mexico, Wal-Mart is already deepening its partnership with CIFRA to the point where a possible merger has been rumored by the financial community.

In a report dated June 3, 1992 by retail analysts Bernard Sosnick and Dorothy Lakner of Oppenheimer & Co., New York, said that involvement by Wal-Mart in all of CIFRA's future retail formats—but no mention of how CIFRA and Wal-Mart will handle existing stores in the chains—"seems to be an unresolved issue" and "leaves open the possibility that a merger with or buyout by Wal-Mart might be open for consideration."

All of CIFRA's future growth will involve Wal-Mart, excluding the restaurants and department stores.

Last year also marked the opening of the first Sears discount store format, debuted by Sears Roebuck de Mexico. Sears AutoServicio (self-service), a traditional, full-line discount department store was opened as a test not far from Mexico City.

While Chicago-based Sears decreased its ownership in its Mexican operations, Woolworth Corp. acquired full ownership of its Mexican division.

Leading Discount Retailers in Mexico
(Sales in Millions)

Company	Sales 1991	Stores 4/92	Proj. Stores 1/93	Avg. Store Size (000 Sq. Ft.)
CIFRA[1]	$2,765	190	232	
Alamances Aurrera	1,199[2]	36	39	67
Gran Bazar	NA	2	4	175
Club Aurrera[3]	560	2	4	82
Bodegaurrera	559	29	28	45
Grupo Gigante[1,4]	$1,661	139	147[5]	
Gigante	1,620	109	NA	58
Controladora Comercial Mexicana[1]	$1,414	126	135	
Comercial Mexicana	1,188	76	81	68
Bodega Comercial Mexicana	110	12	17	45
Price Club de Mexico[6]	NA	1	2	110
Blanco[7]	$ 555	93	94	43
Soriana	$ 515	20	23	97
Woolworth Mexicana[1]	NA	50	57	
Woolworth	NA	32	34	20
Mini Woolworth (tourist shops)	NA	6	6	1
Oshman's Sporting Goods[8]	NA	2	3	8

[1]Corporate totals include unlisted food and/or non-discount operations.
[2]Includes Aurrera and Gran Bazar sales.
[3]Joint venture with Wal-Mart, Bentonville, Ark.
[4]Joint venture with Feming Cos., Oklahoma City.
[5]Assumes 3 of the projected 5 price impact supermarkets to be opened jointly by Grupo Gigante and Fleming Cos. will be completed by year-end.
[6]Joint venture with Price Co., San Diego, Calif.
[7]Blanco has signed a definitive agreement to be acquired by Gigante.
[8]Licensed by Oshman's but fully owned by Fuerza Vital S.A. de C.V.

Data in U.S. dollars were converted at the rate of 3,076.75 pesos to $1.00 prevalent at Dec. 31, 1991.

NA—Not available or not applicable.

Source: DSN research

Canadian Chains Face Challenge of Staid Retail Market

The United States was confronted with a challenging economy last year, but in Canada, recession took on the darker hue of depression, causing most chains to struggle to attain flat comparable store sales levels compared with the previous year.

Membership warehouse clubs like Costco and Price Club wrestled market share away from other retailers, and were able to report significant operating profit gains during last year.

Sales at Sears, Canadian Tire and Woolco were down in 1991, while Zellers reported a sales gain—due primarily to the acquisition of the Towers chain. Zellers comparable store sales were basically flat for 1991. At Sears, comp store sales were down 7.4% last year.

As Sears' president and chief executive officer, G. Joseph Reddington, surmised in the company's annual report to stockholders, "Frankly, we are not optimistic about the prospects for significant recovery in the current year. Conditions exist that could result in 1992 being just as difficult as the past year."

The inflated Canadian dollar, crossborder shopping into the United States, high real interest rates, high unemployment, and continued low consumer confidence, are all factors deterring economic recovery.

The sour economy also contributed to the liquidation of Bargain Harold's—the variety store chain once operated by Kmart Canada and then sold last year to private investors. Bi-Way, the dollar store division of Toronto-based Dylex, recently acquired 25 of the Bargain Harold's, leaving Bi-Way as Canada's only large dollar store chain, with stores in eight provinces. (Bi-Way does not have stores in Quebec.) Arthur Smith, executive vice president with Bi-Way said the chain was able to sustain flat comparable store sales in 1991.

Woolco's performance last year worsened Woolworth Corp.'s annual financials, but the Canadian operations have undergone changes in cost structure and technology that should help. Kinney and Woolworth's operating divisions in Canada are undergoing consolidation to reduce costs. The company has also invested over $50 million in POS cash registers and scanning equipment to improve its competitive position.

Sally Smith, financial analyst with Alex. Brown & Sons Inc., Baltimore, forecasted "a return to profitability at Woolworth Canada due to a change in that division's pricing strategy and some economic recovery." She noted that last year, however, "Much of the 40% drop in foreign operating income was caused by weakness in Canada where the company's general merchandise stores took aggressive promotional and clearance markdowns to reduce inventories."

Top Canadian Retailers

Chain	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change	Number of Stores 1/91	Number of Stores 1/92	Number of Stores Proj. 1/93	Average Store Size (000 Sq. Ft.)
Sears Canada[1] Toronto	$3,571	$3,914	8.8%	97	106	106	NA
Canadian Tire[2] Toronto	2,987	3,060	(2.4)	418	420	425	42
Zellers[2] Montreal	2,789	2,330	19.7	265	272	276	60
Woolco Canada Toronto	1,700	1,904	(10.7)	147	148	152	NA
Kmart Canada[2] Brampton, Ontario	1,217	1,282	(5.1)	125	126	127	70
Price Club Canada Laval, Quebec	957	766	24.9	11	12	17	100
Bi-Way[2] Scarborough, Ontario	670	605	10.7	263	269	300	9
Costco Burnaby, B.C.	559	336	66.4	8	10	12	120

[1]Sears Canada: Sales are for all retail formats; store count includes only Sears stores.
[2]Sales in Canadian dollars
( )—Decline

NA—Not available or not applicable.
Source: DSN research

Megastores Threaten Conventional Sporting Goods Chains

(Continued from page 91)
for the nine chains included on this year's census chart. The disparity between their percentage gain and that of the industry as a whole suggests they gained market share at the expense of other classes of trade, such as independents.

A new era of openness about industry sales and earnings is afoot, now that Kmart has decided to break out Sports Authority financials from corporate, and SportsTown, Atlanta, has gone public.

In order to bolster its stock price, Kmart is considering spinning off minority interests in its specialty chains, including Sports Authority. In an apparent bid to whet the appetites of potential investors, Kmart this year began disclosing specialty results.

For the first quarter of 1992, Sports Authority produced a profit of $2 million on sales of $82 million, compared to a $1 million loss on $40 million in sales in 1991. Same store sales rose 19.5%.

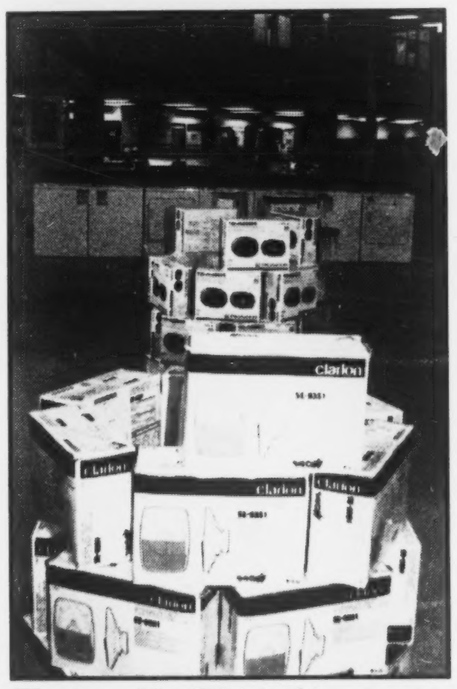
In its public offering, SportsTown disclosed sales of $88 million for 1991, up from $73 million a year earlier.

As part of its 15-store expansion program for 1992, Sports Authority opened the first of at least 10 40,000-sq.-ft. stores in metro New York. Located in Wayne, N.J., the unit recorded the highest Saturday sales during grand opening in the chain's five-year history, including Christmas.

Sports Unlimited, which is headquartered in Tampa, Fla., also is on an expansion mode and venturing farther afield from its Sun Belt base. Among the eight new units for '92 are openings in Charleston, S.C., (July 1) Harrisburg, Pa. and Cincinatti and Columbus, Ohio in the fall.

Even money-losing Oshman's, which intends to close nine more conventional stores this year, is sticking by the megastore concept and will open a fourth Oshman's SuperSports unit this fall.

Consolidation Is Key to CE Biz



***The trend in CE** is to bigger, more productive stores, like this Sunrise, Fla. BrandsMart U.S.A.*

(Continued from page 91)
stores within a year. A company spokesman said the chain is exploring real estate in major U.S. markets, and with deep pockets and an easily replicable format, it is capable of opening doors within a few months of breaking ground.

While the CE business has been nearly flat over the past three years, due in part to the recession and a dearth of exciting products, late 1992 and the first portion of 1993 could see strong growth.

The recession seems to be over, and a new flood of products, from 16 by 9 television, DCC, Mini Disc, Apple's Newton, and a wave of value-added multimedia computers to 900 megahertz telephones could stimulate business.

The survivors of the industry shakeout seem well-positioned to take advantage of the coming boom. Even poor 1991 performers (like Highland) have taken steps to become more competitive. In the next 12 months, most should start reaping a bonanza harvest, as long as the country avoids a return to recessionary conditions.

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BAUSCH & LOMB WORLDWIDE SPONSOR 1992 OLYMPIC GAMES

Despite Recession, Discount Industry Posts 11.2% Gain

(Continued from page 54)

• Specialty discounters, including home specialty chains, posted $27.6 billion in sales, up 11.3%. This year sales should hit $29 billion, up 5.1%;

• Off-price apparel chains rang up $13.2 billion in sales in 1991, up 10% from 1990 and should add another 8.3% to that in 1992 to $14.3 billion;

• Catalog showroom sales fell to $6.5 billion in 1991, down 9.7%, and should drop another 1.5% this year to $6.4 billion.

For some discounters, 1991 was a pretty good year.

In fact, some companies showed their mettle. Chief among them was Wal-Mart, which posted a 24.2% sales increase and a 25% earnings gain, which accounted for all but a small portion of the sales increase among the nation's top 49 discount department store chains. Sam's Club, a Wal-Mart company, posted a 43.3% sales gain in 1991 which caused it to leap over Target in the overall standings but its sales gain was eclipsed by that of Pace, which posted a 58.9% sales increase and a 225% earnings gain.

BJ's Wholesale Club, which is No. 25 on the top 175 list, posted a 24.5% sales gain and a 100% earnings increase. Office Depot, No. 28 this year, up 23 spots from the 1990 survey, recorded a 44.1% sales increase and a 43.1% earnings gain.

Other top gainers include:

• Best Buy, up 39.8% sales and 71% in earnings, helping it leap 10 spots on the *DSN* top 175;

• AutoZone, up 21.7% in sales and 89.5% in earnings;

• Staples, up 83.1% and 212.5%, respectively;

• The Good Guys, up 45.2% and 48.4%.

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CATCHING UP. We all know America has been falling behind in education. Illiteracy is a major problem. Schools are struggling, test scores are down. Over the last decade, kids have been watching more and more TV and reading less and less. Overall, we have become less competitive as a country.

NOW IS THE TIME. From now on, we at Sylvania want to make 7:00 to 8:00 at night America's Official Reading Time. We want to inspire families to put reading back into their lives by reserving a special time each day to read. We're recommending 7:00 to 8:00, but it can be anytime a family agrees to read together.

If people make this small change in their lifestyles, we believe big things can happen.

The first component in this effort will be a booklet called How To Get Your Kids Excited About Reading. We'll be offering it free with a purchase of our light bulbs, in a major third quarter promotion that we want your company to be a part of.

As a retailer, this is your opportunity to be a hero in your community by being an official sponsor of America's Official Reading Time.

For all the details on this powerful program, just contact your Sylvania Representative or call 1-800-LIGHTBULB.

SYLVANIA GTE
LIGHT MADE RIGHT

In cooperation with Reading is Fundamental® we've created this insightful booklet called How To Get Your Kids Excited About Reading that you'll be able to offer your customers free with purchase.

SYLVANIA

Wal-Mart Tops for 2nd Year

(Continued from page 80)

registered by Goldblatt's, Chicago. Up 20.3% from last year, this small 12-store urban chain registered $71 million in sales in 1991, up from $59 million in 1990. Earnings totaled $2 million, an increase of $700 million or 54% over the year-earlier period.

On a sales per square foot basis, the most productive chain on the discount department store list was Fedco, Santa Fe Springs, Calif. Fedco's sales per square foot were just slightly below Sam's Club, at $513 per square foot. Second to Fedco, which is a nine-store chain, is Smitty's, Phoenix, $301, a chain where food sales figure prominently.

On average, discount department stores achieve $181.75 in sales per square foot. Fifteen chains reported results over that with 13 chains reporting sales per square foot over $200.

Bumpy Road For Auto Chains

(Continued from page 92)

gear. It opened its first franchised unit of 9,000 sq. ft. and five service bays last August and will end 1992 with at least 13 units, and possibly 16. It just opened its eighth Auto America franchise last month in Greenville, N.C.

Next year, its expects to open 20 to 30 more, depending on the availability of suitable real estate of an acre.

In a merchandising move, AC/Delco has developed a computerized, electronic parts kiosk and began testing it this spring in Trak Auto stores and B.J.s Wholesale Clubs.

Wal-Mart has completed the rollout of its own electronic kiosk that includes all the parts it stocks from every vendor. Its Sam's Club wholesale division also is using an electronic parts kiosk developed by GNB batteries.

Such kiosks make it easier for customers to select their own parts, tire and battery sizes without requiring expensive sales help to boost add-on sales through cross-merchandising suggestions.

Bulls Embraced Discount Store Stocks During 1991

By Neil Nordby

What a difference a year makes.

That's what investors in discount store stocks must have said to themselves after 1991's dizzying rally in this sector finally came to a close.

When the smoke had cleared and the books were closed on 1991, here's how the industry looked: the *Discount Store News* Stock Index pole vaulted nearly 800 points en route to a record high of 2017.11 (Our index of 60 issues has since gone on to a record high of 2516.22 set on March 2, 1992). One other way of looking at last year's results was thus: each company in the accompanying stock table tacked on an average of 66% to its stock price in what was a record-breaking, one-year journey for these stocks.

But it wasn't at all like this in 1990. Instead, one year ago investors felt the stinging effects of the market's sudden and powerful reversal, and discounters were singled out for special punishment despite their better-value-for-the-buck approach. In fact, the *Discount Store News* Stock Index toppled downward a heart-pounding 28% in 1990.

But that was then, and this is now.

In 1991, the industry was littered with discount retailing stocks posting double-digit gains. Why the powerful performances of retailing stocks despite a floundering national economy? Many of the stocks benefited from investors' shift into cyclical stocks in anticipation of an economic rebound. In the

(Continued on page 116)

Return on Assets[1]

Company	1991 Return on Assets	1990 Return on Assets
Value City Dept. Stores Inc.	15.58%	8.61%
AutoZone Inc.	11.02	7.09
Wal-Mart Stores Inc.	10.42	11.34
Family Dollar Stores Inc.	10.08	8.09
Good Guys Inc.	9.67	9.68
Dollar General Corp.	9.06	7.04
Pic 'N' Save Corp.	8.62	5.01
Melville Corp.	8.49	10.52
Venture Stores Inc.	8.17	7.68
Circuit City Stores Inc.	7.83	6.48
Toys "R" Us Inc.	7.47	9.10
Costco Wholesale Corp.	7.43	6.00
Filene's Basement Corp.	7.42	8.30
Price Co.	7.26	10.36
Syms Corp.	7.16	7.08
ShopKo Stores Inc.	7.03	6.51
Consolidated Stores Corp.	6.10	1.58
Burlington Coat Factory	5.64	5.74
Kmart Corp.	5.37	5.44
Service Merchandise Co.	4.84	3.67
Fred Meyer Inc.	4.65	3.71
Pep Boys-Manny, Moe & Jack	4.54	4.58
Waban Inc.	3.82	3.18
Staples Inc.	3.19	2.56
Dayton Hudson Corp.	3.17	4.83
Best Buy Co.	2.85	(5.10)
QVC Network Inc.	2.75	(2.29)
Office Depot Inc.	2.68	3.53
Hills Department Stores Inc.	2.66	(35.30)
Strawbridge & Clothier	2.15	2.67
TJX Cos.	1.82	7.08
Stop & Shop Cos.	1.22	0.12
Sears, Roebuck and Co.	1.20	0.94
Caldor Corp.	0.31	0.56
Pamida Holdings Corp.	0.14	0.31
Jamesway Corp.	(0.41)	(5.10)
Home Shopping Network Inc.	(1.58)	6.97
Oshman's Sporting Goods Inc.	(2.16)	(2.85)
Alexander's Inc.	(2.22)	(1.98)
Rose's Stores Inc.	(5.69)	(6.09)
Brendle's Inc.	(19.31)	0.75
Ames Department Stores Inc.	(20.83)	(49.06)
Highland Superstores Inc.	(41.87)	(6.23)
Lionel Corp.	(73.47)	(2.49)

[1]Return on assets equals net income divided by Total Assets.
( )—Negative

Source: Nordby International

Total Assets[1]

Company	1991 Assets (In Millions)	1990 Assets (In Millions)
Sears, Roebuck and Co.	$106,434,800	$96,252,800
Kmart Corp.	15,999,000	13,899,000
Wal-Mart Stores Inc.	15,443,389	11,388,915
Dayton Hudson Corp.	9,485,000	8,524,000
Toys "R" Us Inc.	4,548,276	3,582,443
Melville Corp.	4,085,235	3,662,157
Stop & Shop Cos.	1,958,840	1,891,828
Price Co.	1,845,503	1,210,062
Service Merchandise Co.	1,572,663	1,653,202
Ames Department Stores Inc.	1,355,833	1,617,448
Costco Wholesale Corp.	1,140,591	819,869
TJX Cos.	1,105,319	1,047,301
Circuit City Stores Inc.	999,582	874,063
Fred Meyer Inc.	972,794	905,756
Pep Boys-Manny, Moe & Jack	856,925	819,421
Hills Department Stores Inc.	846,906	775,227
Waban Inc.	786,405	579,784
Caldor Corp.	763,628	755,311
QVC Network Inc.	714,539	740,183
ShopKo Stores Inc.	705,575	692,096
Strawbridge & Clothier	631,987	645,603
Home Shopping Network Inc.	565,036	556,236
Office Depot Inc.	559,275	355,935
Venture Stores Inc.	508,491	448,925
Burlington Coat Factory	438,751	418,508
Rose's Stores Inc.	409,768	455,942
Family Dollar Stores Inc.	399,271	355,097
AutoZone Inc.	398,850	328,442
Pic 'N' Save Corp.	396,845	344,380
Best Buy Co.	337,218	185,528
Consolidated Stores Corp.	329,321	288,119
Jamesway Corp.	311,878	345,637
Pamida Holdings Corp.	303,693	309,974
Staples Inc.	286,242	203,522
Dollar General Corp.	237,346	207,737
Value City Dept. Stores Inc.	227,201	224,965
Highland Superstores Inc.	205,854	361,233
Syms Corp.	199,211	199,211
Filene's Basement Corp.	188,725	148,368
Alexander's Inc.	188,057	198,993
Lionel Corp.	156,920	238,579
Brendle's Inc.	136,591	166,628
Oshman's Sporting Goods Inc.	131,690	143,544
Good Guys Inc.	113,567	76,137

[1]Ranks in descending order those companies with the highest amount of assets in dollars.

Source: Nordby International

In 1991 the industry was littered with discount retailing stocks posting double-digit gains.

ANNUAL REPORT/FINANCIAL REPORT ON PUBLIC COMPANIES

Retail Stocks Reach Record High in '91

(Continued from page 115
past, these retail issues have led economic rebounds and investors were betting on a repeat performance in 1991. Mix in dramatically lower interest rates last year and its benefit to retailers by lowering inventory carrying costs, and the above concoction led to a record-breaking rally in retailing.

The other common denominators in last year's winning performances on Wall Street: the usual mixture of strong sales growth, earnings momentum and ever-improving same-store sales. Wall Street, being the earnings/sales-driven machine that it is, rewarded those discounters possessing the strongest income statements and balance sheets last year. Let's take a look at the year-to-date trajectories of 1991's winners and compare their performances on Wall Street with the results posted in this year's annual report card.

Take Venture Stores, for example. That stock certainly felt the warm glow of Wall Street's embrace, as its share price swelled 205% to $24.38. Among the compelling reasons for Venture's stellar performance on Wall Street: 1991's revenues soared to $1.52 billion creating profits last year of $42 million, or $2.48 a share). First-quarter 1992 earnings continued where 1991 left off, soaring 50% over year-earlier levels to 33 cents a share, while overall sales in March and April rose 16% and 15.5%, respectively. Interestingly, however, Venture Stores did not top any of charts in our annual report issue, posting middle-of-the-road marks for many of the categories.

The same held true for Best Buy, which was once again very good to shareholders last year, as overall and same-store sales triggered the rise in the company's share price.

It, too, placed in the middle of the pack when it came to many of our financial barometers. Higher sales and profits were the key to last year's winning performance on Wall Street for Best Buy, as its stock prices soared 193% to $16.50.

(Continued on page 119)

Common denominators in last year's winning performances on Wall Street were the usual mixture of strong sales growth and ever-improving same-store sales.

SG&A Expenses as a Percentage of Sales[1]

Company	1991 SG&A to Sales	1990 SG&A to Sales
Price Co.	7.83%	7.30%
Costco Wholesale Corp.	7.97	8.12
Waban Inc.	11.59	11.97
QVC Network Inc.	12.01	12.19
Wal-Mart Stores Inc.	15.09	15.68
Dayton Hudson Corp.	17.38	16.81
Service Merchandise Co.	17.44	17.06
Best Buy Co.	17.46	20.27
Strawbridge & Clothier	17.54	16.82
Pep Boys-Manny, Moe & Jack	17.60	17.80
TJX Cos.	17.83	17.23
Toys "R" Us Inc.	18.84	18.60
Pamida Holdings Corp.	19.22	18.96
Staples Inc.	19.52	21.03
Office Depot Inc.	20.09	20.40
Home Shopping Network Inc.	20.68	20.51
Stop & Shop Cos.	20.99	20.94
Filene's Basement Corp.	21.01	21.27
Kmart Corp.	21.22	20.07
ShopKo Stores Inc.	21.86	21.71
Venture Stores Inc.	22.16	21.63
Hills Department Stores Inc.	22.44	21.97
Rose's Stores Inc.	22.65	22.76
Good Guys Inc.	23.39	22.58
Dollar General Corp.	23.55	24.40
Syms Corp.	23.73	23.50
Caldor Corp.	24.12	24.44
Circuit City Stores Inc.	24.23	24.78
Brendle's Inc.	24.49	22.61
Ames Department Stores Inc.	26.08	28.16
Jamesway Corp.	26.74	26.94
Fred Meyer Inc.	27.08	27.23
Alexander's Inc.	28.12	26.78
Family Dollar Stores Inc.	29.26	29.29
Melville Corp.	29.48	28.68
Burlington Coat Factory	29.65	28.58
AutoZone Inc.	30.24	30.61
Highland Superstores Inc.	31.82	31.62
Value City Dept. Stores Inc.	31.93	33.27
Consolidated Stores Corp.	35.48	35.90
Oshman's Sporting Goods Inc.	37.11	35.76
Pic 'N' Save Corp.	37.14	36.38
Lionel Corp.	37.47	27.60
Sears, Roebuck and Co.	91.99	92.56

[1]Who controlled their selling, general and administrative expenses the best as a percentage of their sales. The lower the ratio, the better the cost control.

Source: Nordby International

Return on Sales[1]

Company	1991 Return on Sales	1990 Return on Sales
Pic 'N' Save Corp.	6.31%	3.26%
Value City Dept. Stores Inc.	6.04	3.60
Toys "R" Us Inc.	5.54	5.92
AutoZone Inc.	5.37	3.47
Sears, Roebuck and Co.	4.69	1.61
Syms Corp.	4.49	4.49
Family Dollar Stores Inc.	4.07	3.29
Pep Boys-Manny, Moe & Jack	3.88	4.24
Wal-Mart Stores Inc.	3.63	3.93
Melville Corp.	3.51	4.44
Filene's Basement Corp.	3.01	3.07
ShopKo Stores Inc.	2.99	2.94
Dollar General Corp.	2.85	2.24
Circuit City Stores Inc.	2.80	2.39
Burlington Coat Factory	2.73	2.99
Venture Stores Inc.	2.73	2.43
Consolidated Stores Corp.	2.61	0.67
Good Guys Inc.	2.57	2.51
Kmart Corp.	2.48	2.36
Service Merchandise Co.	2.24	1.77
QVC Network Inc.	2.13	(2.19)
Price Co.	1.98	2.32
Dayton Hudson Corp.	1.87	2.80
Fred Meyer Inc.	1.67	1.36
Staples Inc.	1.67	1.74
Costco Wholesale Corp.	1.60	1.19
Strawbridge & Clothier	1.40	1.75
Hills Department Stores Inc.	1.34	(12.78)
Office Depot Inc.	1.15	1.39
Waban Inc.	1.08	0.76
Best Buy Co.	1.03	(1.47)
TJX Cos.	0.73	3.03
Stop & Shop Cos.	0.48	0.04
Caldor Corp.	0.13	0.24
Pamida Holdings Corp.	0.07	0.14
Jamesway Corp.	(0.15)	(1.93)
Home Shopping Network Inc.	(0.83)	3.84
Oshman's Sporting Goods Inc.	(0.96)	(1.28)
Alexander's Inc.	(0.97)	(0.86)
Rose's Stores Inc.	(1.68)	(1.84)
Brendle's Inc.	(8.75)	0.40
Ames Department Stores Inc.	(9.55)	(24.22)
Highland Superstores Inc.	(14.98)	(2.62)
Lionel Corp.	(37.32)	(1.39)

[1]Return on sales equals net income divided by sales. This shows in descending order who had the highest amount of sales trickle down to the bottom line on a percentage basis.
( )—Negative

Source: Nordby International

ANNUAL REPORT/FINANCIAL REPORT ON PUBLIC COMPANIES

Long-Term Debt-to-Equity[1]

Company	1991 Long-Term Debt-to-Equity	1990 Long-Term Debt-to-Equity
Pamida Holdings Corp.	1639.81%	1753.04%
Service Merchandise Co.	593.65	2864.67
Stop & Shop Cos.	340.88	1344.63
Dayton Hudson Corp.	189.47	179.79
Caldor Corp.	183.47	446.23
Sears, Roebuck and Co.	135.11	98.54
TJX Cos.	117.99	114.08
Venture Stores Inc.	74.55	102.58
Fred Meyer Inc.	71.90	81.63
Price Co.	65.07	31.40
Strawbridge & Clothier	62.36	65.07
Pep Boys-Manny, Moe & Jack	53.96	61.19
Jamesway Corp.	51.17	54.00
Rose's Stores Inc.	48.00	59.95
QVC Network Inc.	46.80	175.63
Burlington Coat Factory	39.67	43.78
Pic 'N' Save Corp.	36.09	35.80
Kmart Corp.	33.19	31.59
Consolidated Stores Corp.	29.32	33.43
Filene's Basement Corp.	27.88	567.73
Wal-Mart Stores Inc.	24.64	13.80
Value City Dept. Stores Inc.	19.34	116.36
Brendle's Inc.	18.96	0.00
Waban Inc.	17.53	10.27
Melville Corp.	16.91	19.37
Toys "R" Us Inc.	15.66	8.93
Dollar General Corp.	14.02	14.48
Best Buy Co. Inc.	9.45	62.36
Circuit City Stores Inc.	8.55	25.72

[1]Ranks in descending order who has the highest amount of debt compared to underlying shareholder's equity. The higher the percentage in this instance, the weaker a company's balance sheet.

Source: Nordby International

Long-Term Debt[1]

Company	1991 Long-Term Debt (In Millions)	1990 Long-Term Debt (In Millions)
Sears, Roebuck and Co.	$19,170,100	$12,636,400
Dayton Hudson Corp.	4,227,000	3,682,000
Kmart Corp.	2,287,000	1,701,000
Wal-Mart Stores Inc.	1,722,022	740,254
Stop & Shop Cos.	1,087,564	1,276,354
Service Merchandise Co.	619,266	726,881
Price Co.	496,496	193,499
Toys "R" Us Inc.	379,880	182,695
Melville Corp.	353,521	358,803
Caldor Corp.	307,533	348,768
TJX Cos.	307,385	308,593
Fred Meyer Inc.	240,968	232,881
Pep Boys-Manny, Moe & Jack	204,250	210,868
Strawbridge & Clothier	156,237	158,880
QVC Network Inc.	152,461	366,688
Pamida Holdings Corp.	151,158	160,351
Waban Inc.	100,925	39,770
Burlington Coat Factory	96,040	95,838
Venture Stores Inc.	92,517	93,361
Highland Superstores Inc.	89,676	121,513
Circuit City Stores Inc.	85,415	94,350
Pic 'N' Save Corp.	81,567	68,164
Rose's Stores Inc.	68,500	99,500
Ames Department Stores Inc.	64,549	84,072
Jamesway Corp.	57,533	61,356
Consolidated Stores Corp.	50,000	50,125
Filene's Basement Corp.	26,073	77,399
Value City Dept. Stores Inc.	21,609	41,890

[1]The amount of long-term debt that resides in a company's balance sheet.

Source: Nordby International

Stocks Gain By Double-Digits

(Continued from page 116)

Pic 'n Save, on the other hand, topped the leader board when it came to highest return on sales in 1991, as this number hit 6.31%. Wall Street certainly took notice of that fact, as Pic 'n Save's stock rose 147% last year to $22.25 after a rough 1991 when it spent $19.3 million due to a proxy fight and related restructuring expenses. (In a side note, on June 22, the company asked shareholders to change its name to MacFrugal's Bargains-CloseOuts).

Value City topped the Return-on-Assets category, sporting a 15.6% return. The company was also second to Pic 'n Save when it came to Return on Sales, as that figure was a solid 6.04%. So how did the stock do in 1991? We'll never know, because the company did not become public until June of last year when it sold 3.75 million shares at $19.50.

For the second straight year, Price Co. boasted the highest sales per employee. Specifically, Price generated $352,940 per worker in 1991, down from $406,000 per employee in 1990. Price had the lowest SG&A Expense to Sales ratio in the industry at 7.83%. In another measure of the company's cost controls, Price was No. 1 when it came to Merchandise Inventories as a Percent of Sales. The result: an industry low of 5%. The cumulative effect of the above: Price Co.'s stock gained 28% in 1991 to $50.25.

Costco finished behind Price in all three aforementioned categories. The result for Sales per Employee: sales per worker hit $337,910, down from $344,384 in 1990. The company was also second when it came to SG&A Expenses as a percentage of gross sales. The result: that ratio was just barely above Price Co., coming in at 7.97%. When it came to Merchandise Inventories as a Percent of Sales, that number chimed in at 7.17%. But one category that Costco did not take second to Price Co. was in return to shareholder in 1991. Costco's stock price took wing last year, soaring 132% to $55.75.

And then there was Wal-Mart which had the third-highest Return on Assets of all the discount store concerns in our annual review at 10.4% (down from first place in 1990 when return on assets was 11.3%), Wal-Mart enjoyed the ninth-highest Return on Sales with 3.63% (down from fourth slot in 1990), came in second in Shareholder's Equity with just under $7 billion, took third place in Total Assets with $15.4 billion, and had the fifth-lowest SG&A Expense-to-Sales ratio in the industry at 15.1%. The result: Wal-Mart's stock rose a stout 95% in 1991 to $58.88 a share.

Merchandise Inventories to Sales[1]

Company	1991 Merchandise Inventories To Sales	1990 Merchandise Inventories To Sales
Price Co.	5.00%	4.84%
Costco Wholesale Corp.	7.17	7.76
Stop & Shop Cos.	9.19	8.20
Home Shopping Network Inc.	10.62	14.01
Alexander's Inc.	11.00	11.06
QVC Network Inc.	11.82	12.95
Good Guys Inc.	12.43	12.29
Highland Superstores Inc.	13.56	18.74
Strawbridge & Clothier	13.76	14.13
ShopKo Stores Inc.	14.00	15.35
Waban Inc.	14.24	14.76
Best Buy Co.	14.61	14.84
Dayton Hudson Corp.	14.78	13.68
Hills Department Stores Inc.	14.86	10.24
Ames Department Stores Inc.	14.88	16.87
Fred Meyer Inc.	14.92	15.28
Venture Stores Inc.	14.97	15.57
Circuit City Stores Inc.	15.05	16.47
Sears, Roebuck and Co.	16.37	7.28
Wal-Mart Stores Inc.	17.74	18.89
Melville Corp.	18.97	19.07
Staples Inc.	19.18	23.43
Pamida Holdings Corp.	19.58	19.43
TJX Cos.	20.03	21.01
Caldor Corp.	20.28	20.38
Consolidated Stores Corp.	20.99	23.64
Jamesway Corp.	21.27	21.05
Filene's Basement Corp.	21.77	17.47
Kmart Corp.	21.82	21.49
Syms Corp.	22.44	22.66
Toys "R" Us Inc.	22.71	23.14
Rose's Stores Inc.	22.77	23.01
Dollar General Corp.	22.90	23.70
Pep Boys-Manny, Moe & Jack	23.05	26.53
Service Merchandise Co.	23.33	21.77
Value City Dept. Stores Inc.	23.70	27.92
Pic 'N' Save Corp.	24.06	19.20
Oshman's Sporting Goods Inc.	24.99	27.40
AutoZone Inc.	25.14	26.30
Office Depot Inc.	25.97	25.55
Brendle's Inc.	26.13	33.30
Family Dollar Stores Inc.	26.17	27.39
Burlington Coat Factory	28.03	34.34
Lionel Corp.	28.29	31.50

[1]Who managed their inventories the best as a percentage of overall sales.

Source: Nordby International

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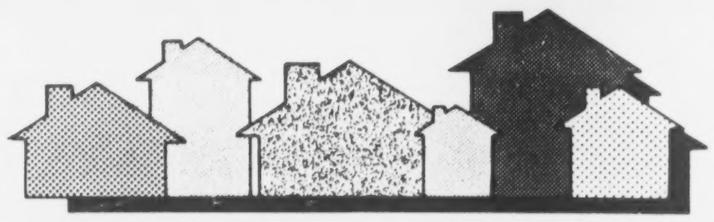

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Going Public in Vogue in 1991

(Continued from page 57)

May, Alexander's closed all 11 discount department stores and announced it will become an estate operator.

Chapter 11 filings, which were coming fast and furious in the first half of 1991, have slowed somewhat. In addition to Alexander's and Child World, two automotive parts warehouse chains, Auto Depot and Auto Giant have declared Chapter 11 just two years after startup.

But the warehouse auto parts and service concept remains alive with the startup of Auto Source, the U.S. subsidiary of Canadian Tire, Toronto. Auto Source has opened three 47,000-sq.-ft. units, with three more expected by fall.

Two chains emerged from Chapter 11, ALCO-Duckwall, with 104 stores left out of 150, and Nichols Pharmhouse, with 14 of 19 deep discount drug stores remaining.

Wholesale clubs accounted for three startups, two of them in Mexico and another in San Antonio.

Wal-Mart has formed a joint venture with CIFRA to launch a club chain in Mexico, and Price Club has done the same with Comercial Mexicana. In San Antonio, the H.E.B. grocery chain launched a wholesale club called H.E.B. Bodega.

Hypermarket operator Meijer, Grand Rapids, Mich., plans to open SourceClub, its first warehouse club, this fall in East Lansing, Mich.

Chapter 11 Bankruptcy Filings

Chain	Date of Filing	Units When Filed
Alexander's	May 1992	11
Child World[1]	May 1992	125
Foland's	April 1992	6
Auto Depot	January 1992	1
Auto Giant	January 1992	3
Lionel Leisure	June 1991	99
Hills	February 1991	186
Best Products	January 1991	195

[1]Obtained bankruptcy court approval in June 1992 to liquidate, but was still operating 71 stores at press time.

Emerged from Chapter 11 Bankruptcy

Chain	Date	Number of Units
Nichols Pharmhouse[1]	May 1992	14
Duckwall-ALCO	May 1991	104

[1]Deep discount drug operation of S.E. Nichols, previously a full-line discounter.

Discounter Startups

Chain	Owner	Type of Business
Auto Source (U.S.)	Canadian Tire	Automotive Aftermarket
Auto America	Western Auto	Automotives Franchise
Jysk Bed 'n Linens	Jysk	Bed & Bath shops
Reliable Office Superstore	Reliable Corp.	Office Products
H-E-B Bodega	H.E. Butts Grocery	Wholesale Club
Club Aurrera	Wal-Mart/CIFRA	Wholesale Club (Mexico)
Price Club de Mexico	Price Club/ Comercial Mexicana	Wholesale Club

Chain Spinoffs

Bradlees, May 1992, 100%, by Stop & Shop through initial public offering valued at $176 million.

ShopKo, October 1991, 54% stake, by Super Valu through initial public offering valued at $247.5 million.

On The Block

Chain	Owner	Units for Sale
Herman's	Isosceles PLC	259

Source: DSN research

DISCOUNT STORE NEWS

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Vol. 31, No. 13 July 6, 1992

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DISCOUNT INDUSTRY ANNUAL REPORT: PART 2

Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

VOL. 31, NO. 14 Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. $39 for Census Issue July 20, 1992

Wooden floor *with coordinated apparel displays (above) are some of the design touches that Target has instituted in its Everyday Hero apparel specialty concept.*

Landrush Underway For Prime Alexander's Sites

NEW YORK — The race is on for Alexander's prime New York metro real estate, with chains as diverse as BJ's Wholesale Club, Kmart, Caldor and even Wal-Mart rumored to be interested in various sites.

Alexander's is just completing its going out of business sales, and the sites should be vacant by mid-August.

Kmart, which recently acquired the former Bloomingdale's site in the Fresh Meadows section of Queens, has made no secret of its interest in New York in general and Alexander's sites in particular.

"We're looking at some Alexander's sites, but we're looking at other sites as well in the metro area," a Kmart spokesperson said.

The company opened a two-level store in Southbury, Conn. (a renovated Jordan Marsh) this month and will debut another in Queens (a former Bloomingdale's) in the fall, so a prototype exists to take advantage of the multifloor Alexander's sites.

Wal-Mart, too, is reported to be working on a two-level Sam's/Wal-Mart combo, so it could possibly be interested in some Alexander's sites.

While the prime location is the 59th Street site, Alexander's operates 10 other stores, nine

(Continued on page 99)

Mexican Retailer Plans CE Chain

Grupo Gigante & Radio Shack in Joint Venture

FORT WORTH, Texas — Radio Shack has joined the move of U.S. retailers into Mexico through joint venture. In the process, Mexico's Grupo Gigante enters into its fourth store-base-building deal in 1992, adding fuel to the fire of the hot Mexican retail scene.

Tandy International, a wholly owned subsidiary of Tandy Corp., based here, has formed a partnership with Grupo Gigante, S.A., to open Radio Shack Technology Stores throughout Mexico, at a rate of 50 locations per year. The chain will be operated by Radio Shack de Mexico, S.A., the newly formed joint venture company, headed by 10-year Radio Shack veteran, Guido Pentsy who will be director general.

Angel Losada Moreno, executive vice president of Grupo Gigante, will act as chairman of the new company, which is a 50%-50% venture.

Tandy is also eyeing opportunities for expansion further south into Latin America, according to Philip Adtmiller, director of investor relations.

Earlier this year, the 111-unit Gigante had also entered into a joint venture with supermarket distributor, Fleming Cos. to develop a new retailing concept for the Mexican market: upscale "price-impact" supermarkets.

The Mexican hypermarket retailer also acquired eight stores from the El Sardinero supermarket chain in February, with plans to convert these units to Gigante stores. And on April 30, Grupo Gi-

(Continued on page 99)

Target Set to Open 2nd Apparel Unit in Super Mall

MINNEAPOLIS — Target will open its second Everyday Hero store next month in the much-awaited Mall of America, Bloomington, Minn., the 4.2 million-sq.-ft. super mall.

Everyday Hero marks Target's first attempt at a specialty store concept, designed to match the look of The Gap with shopper-friendly Target prices.

The Gap-like look of the first store, including wooden tables with coordinated apparel displays will be repeated at this second unit. According to Gail Dorn, a spokesperson for Target, the new store has no

(Continued on page 100)

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Costco Opens Northeast Clubs page 17

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Store C

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SPECIAL SHOW COVERAGE

Video Sell-Through

More and more discounters are realizing greater margins from the sale of videos and are devoting much more time and effort to the way they merchandise them. For an in-depth look at the trends in the industry see stories starting on page 22.

Outdoor Living

With Kmart's new Greenville, Mich., store as a leading example, discounters have emphasized their lawn & garden selections and have discovered that consumers are concerned about the environment as was evidenced by the multitude of environmental products expected to be shown at the OPEI show. For more details turn to stories starting on page 91.

New Systems Added to Kmart, Pace Operations

By Arthur Markowitz

TROY, Mich. — Kmart, which won an award last month for its past technology efforts, is now starting to phase in more programs in its discount store and Pace Membership Warehouse operations.

Kmart said earlier this month that half of its 2,383 discount stores were now using Symbol Technologies' Spectrum One wireless spread spectrum data communication network and the technology would be rolled out to all Kmarts during the next five months.

The discounter next month is due to begin phasing in Triad Systems' automotive parts, prices and labor estimating database in its auto service centers, with the technology in all 991 centers by year-end.

Meanwhile, this month Pace will begin using J.D. Edwards' financial and job cost software to monitor its construction program that calls for 28 new clubs this year. The Paces being constructed in Orange Park, Fla., and adjacent to the LBJ Highway in Dallas will be the first clubs monitored using the technology obtained in the $100,000 deal.

Kmart won top honors in the annual Computerworld Smithsonian awards competition in June for the application technology used in its KIN II (Kmart Information Network) system. The discounter said the "critical suppliers" of the technology that form the bases for KIN II are Informix Software's database management software, Unisys' multiprocessing Intel-based Unix computing platform and Symbol Technologies' LRT 3800 hand-held scanning and radio frequency terminals that communicate over a Token Ring network through Spectrum One's wireless technology.

KIN II is at the heart of Kmart's drive to use retail technology to become a more efficient retailer, providing better customer service while driving down costs. President and chairman Joseph Antonini, in fact, said technology is playing a "critical role in competitively positioning Kmart for success in the '90s. Indeed, after store modernization, technology is probably the second most important building block to improve profitability and market share."

The discounter picked the LRT 3800/Spectrum One system as the data collection and communication technology for KIN II "because of its real-time data collection capabilities and unique spread spectrum implementation," said David M. Carlson, senior vp of corporate information systems.

Kmart uses the LRT 3800/Spectrum One system for a series of advanced merchandising applications including scanning shelf bar code labels to determine merchandise availability and ordering goods when necessary.

Kmart and other retailers view spread spectrum technology as a platform for many different uses. Kmart is developing its own specific undisclosed programs for the Spectrum One network.

Carlson in the past has said that spread spectrum technology is the basis for the wireless store and that Kmart picked the technology that ties into this. Symbol Technology has developed a wireless electronic register, but Kmart, so far, isn't known to be testing this terminal.

Kmart, however, is the largest retailer to deploy the complete Triad systems for its service personnel since the vendor began offering a labor cost database feature in November of 1991. The labor estimating database incorporates Mitchell International's mechanical repair information, a leading source to estimate the time and skill level needed for a specific job.

The basic program, used by a number of auto specialty retailers, includes a database of the price for 1.9 million parts from 400 suppliers, which is updated monthly.

Kmart, using the complete Triad system, can offer customers a complete cost analyis for a job, breaking out the price of the parts and the cost and time for labor.

(Continued on page 99)

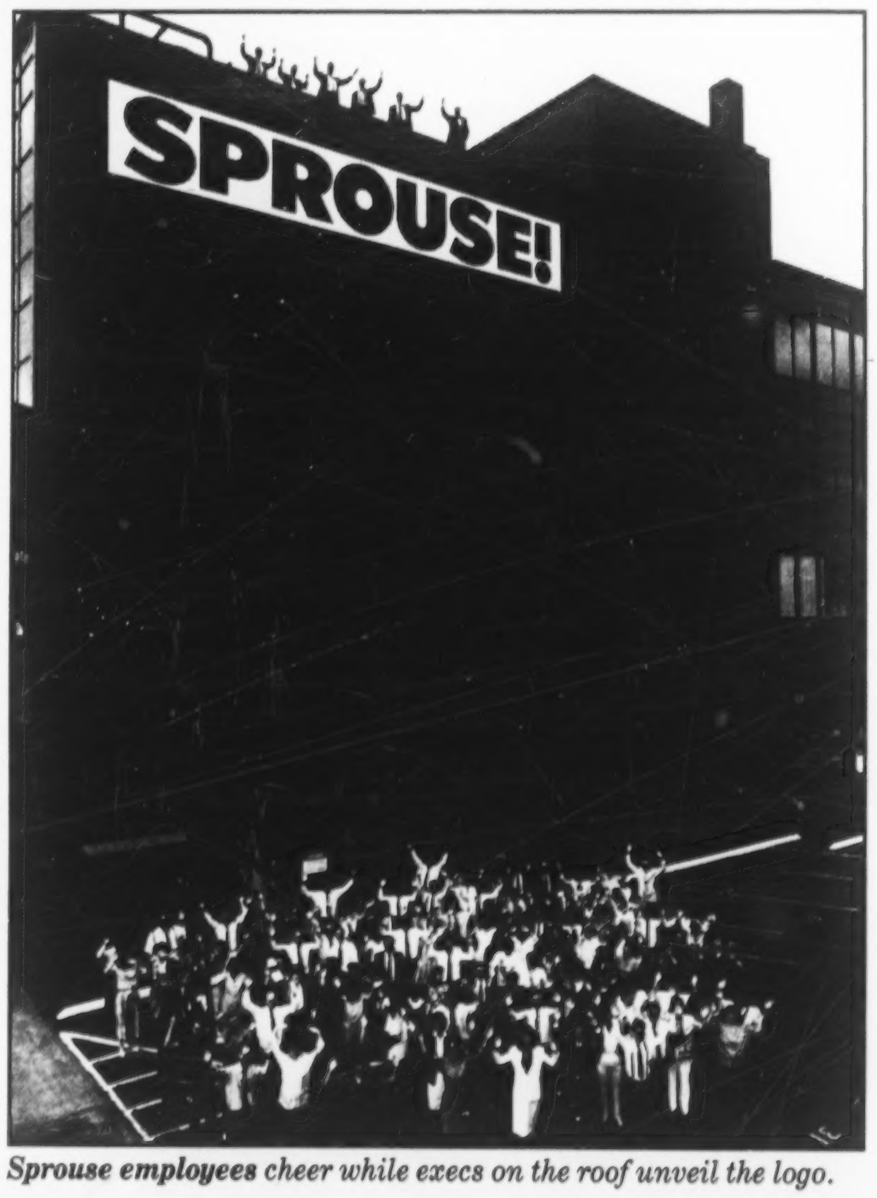
Sprouse Celebrates Coming Out (of Chap. 11)

PORTLAND, Ore. — Sprouse-Reitz Stores celebrated its emergence from Chapter 11 July 1 with the unveiling of its updated logo on its headquarters here. More than 100 employees gathered in the parking lot as executives on the roof unveiled the giant painting.

Donald Tripp, company president, remarked, "The new sign is symbolic of the many positive changes that are taking place in our company."

Sprouse sought bankruptcy protection in November 1991. Subsequently, 100 unprofitable stores were closed, leaving it with 164 stores in the western United States and a new merchandising focus with an emphasis on crafts and several other categories. In addition, an exclusively crafts test store has been opened.

The remerchandising of stores is part of the company's decision to custom tailor each store to better fit the needs of each individual community.



***Sprouse employees** cheer while execs on the roof unveil the logo.*

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MARKETWATCH

ShopKo Expanding to Colorado in '93

GREEN BAY, Wis. — ShopKo will expand to Colorado, its 14th state, in 1993. It will build two of six new stores in Longmont and Loveland, Colo. The others will be in Lacey, Wash.; Sheboygan, Wis.; Duluth, Minn., and Mitchell, S.D., pushing store count to 116. ShopKo will also remodel 15 stores next year to its Vision 2000 prototype.

Tops Opens First Unit Outside N.J.

EDISON, N.J. — Tops, the consumer electronics superstore, will debut its fifth unit, and first outside New Jersey, in Mount Pleasant, N.Y. The new store will open early in the fourth quarter and include 50,000 sq. ft. of selling space, as well as adjoin other category killers, including Pace Membership, The Price Club and Home Depot.

Kmart, CBS Launch Joint Promotion

TROY, Mich. — Kmart and CBS will launch the "CBS/Kmart Premiere Value Pack" promotion this fall in which 2 million product samples will be distributed at Kmart stores. Kmart circulars and in-store displays will further promote the program with CBS. Nabisco and Planters LifeSavers were among manufacturers said to be involved in the campaign. But other vendors are also expected to follow suit, with other promotions which are part of Kmart's new multimillion-dollar deal with CBS.

Stanley Makes Foray Into Paint Brushes

NEW BRITAIN, Conn. — Stanley Works has made its second diversification into paint applicators by buying American Brush, a producer of paint brushes and rollers. In its first such venture last year, Stanley purchased Britain's Mosley-Stone, and introduced products into the U.S. market in a small way under the Stanley name. American Brush generated sales last year of an estimated $18 million.

June 1992 Sales Gains

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart Inc.[1]	23.0%	8.0%
Sam's Club[2]	27.0	7.0
Kmart Corp.[3]	7.2	2.2
U.S. Kmart Stores[4]	2.3	0.5
Pace[4]	21.9	10.4
Sports Authority[4]	89.4	6.7
Target	14.0	4.0
Sears	(1.7)	(2.6)
Caldor	17.1	11.6
ShopKo	4.4	2.6
Venture	12.2	3.1
Consolidated Stores	13.5	(2.4)
Ross Stores	11.0	2.0
Dollar General	24.6	18.5
Jamesway	0.0	0.0
Value City	7.3	2.9
Mac Frugal's	(5.7)	(5.5)
Clothestime	17.0	4.0
Everything's A $1[5]	108.7	(9.4)
Toy Liquidators[5]	4.1	(6.7)
50-Off Stores	39.5	0.1
The Good Guys	18.0	(2.0)
Melville Corp.	4.8	2.2
TJX Cos.	17.0	NA

[1] Wal-Mart Inc. = total corporate results
[2] Sam's Club is a division of Wal-Mart
[3] Kmart Corp. = total corporate results
[4] U.S. Kmart Stores, Pace and Sports Authority are Kmart divisions
[5] Everything's A $1 and Toy Liquidators are divisions of Value Merchants Inc.

Source: Company reports

FOR THE RECORD

Sears' SG&A figure in all charts in last issue's Discount Industry Financial Report on Public Companies represented all the firm's costs and expenses, not just the Merchandising Group. That clarification should have been noted on the charts.

Patrick Doyle, a Founding Father Of Catalog Industry, Dies at 74

CHICAGO — The catalog showroom industry has lost yet another of its founding fathers: Patrick J. Doyle, co-founder of McDade & Co., co-founder of industry buying group, Merchandisers Association Incorporated (MAI), and philanthropist, died of cancer on June 3. He was 74 years old.

Earlier this year, McDade's other co-founder Mike McDermott passed away, as did Fred P. Gattas of the catalog chain that bears his name.

Doyle was one of the first executives inducted into the National Association of Catalog Showroom Merchandisers (NACSM) Hall of Fame. Said Joe McLeish, executive director of MAI: "Pat was probably the kindest man I ever met in my life."

Raymond Zimmerman, chairman of Service Merchandise, said he first met Doyle 30 years ago at a housewares show, and grew to know and admire him. "He was a hard, tough, fair and fierce competitor," but was also the ultimate philanthropist, according to Zimmerman. "He worked for just about every organization that benefitted mankind with no concern for race, creed or color . . . He was a man who didn't have an enemy in the world."

Patrick Doyle

Returning from New Guinea, where he was stationed as a medic and Master Seargent in World War II, Doyle worked as a salesman until 1948, when he and McDermott founded McDade & Co., originally a non-membership wholesale format, open to the public.

By the mid-'50s, the format was changed as McDade joined the ranks of the burgeoning catalog showroom format. McDade and other chains had made use of product pages supplied from manufacturers for the catalog presentation until the MAI was incorporated in 1960 with the help of Doyle and others. In its heyday in the 1980s, MAI's total sales volume reached $75 million.

McDade & Co., an eight-unit chain headquartered in Chicago, was hit hard in the mid-'80s by both the growing strength of competitors like Service Merchandise and the explosive growth of the discount department store industry. In an effort to save his chain, Doyle and three other directors deferred their own salaries totaling ($219,024) for one year, but ultimately liquidated in 1988, after 30 years of business.

Afterwards, Patrick Doyle went into business with his son as Doyle & Doyle, a sales representative firm.

His daughter, Sharon Zappa, said her father was always immersed in the retail industry, having attended 27 consecutive toy fairs and decades of housewares shows. Doyle, who is survived by his wife, was a father of six, grandfather to nine and great grandfather to one.

Stern of Pollenex to Head NHMA Board

Other Officers Picked For One-Year Terms

ROSEMONT, Ill. — Richard J. Stern, founder of Pollenex Corp., has been elected chairman of the board of directors for the National Housewares Manufacturers Association, for a one-year term ending June 1993.

Richard Stern

Craig Winn

Also elected to one-year terms as officers of the board are Joseph Gantz of Empire Brushes, Greenville, N.C., who will serve as vice chairman/chairman elect and David Burrows of Mirro Co., Manitowoc, Wis., will be NHMA treasurer.

NHMA Board members named to the executive committee for the year include Charles Peifer of Corning, Corning, N.Y., and John A. Balch of Cleveland-based Royal Appliance Manufacturing.

Newly named to the board of directors is Craig Winn, chief executive officer of Dynasty Classics, Carson, Calif., who will serve a three-year term.

Pittway Selling First Alert, BRK Electronics

CHICAGO — Pittway is selling its First Alert and BRK Electronics business to a Boston-based investment firm for $92.5 million.

First Alert is a leading producer of smoke detectors, fire extinguishers, lighting timers and other home security products. Current management will remain in place.

Under terms of the agreement, which is expected to close in the third quarter, Pittway will retain a 16⅔% interest in the business. It will receive $87.5 million cash for the balance.

"The aggressive growth strategies we already had in place, combined with a new, greater commitment of resources, will allow us to continue introducing innovative new products and promotions that expand our dominance in home fire safety and home security worldwide," said First Alert president Don Cont, when he announced the pact.

With the sale of its home security business, Pittway will focus its attention on the professional burglar and fire alarm systems, as well as its Penton Publishing business, said Pittway president and chief operating officer King Harris.

Along with the minority interest in First Alert, Pittway retains the rights to use the First Alert name in its professional security business, Harris said.

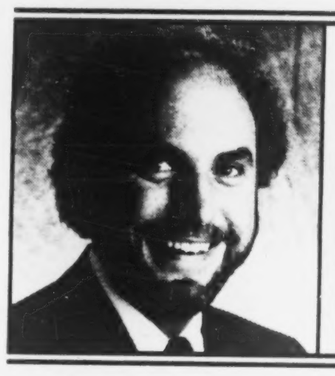
EDITORIAL

Talk of Discount Trends Hotter Than Ever

Frankly, I thought the word trend was now taboo. I thought the word trend, or any derivative, such as trendsetter, on-trend, or trendmeister was no longer the lingo of the learned. I thought everyone was tired of being trendy or talking about trends.

Not! Apparently. More readers than ever are asking about trends. In fact, the question I am most often asked is, "What are the trends in the industry?"

So, let's talk trends, or "current customs," as Roget's offers. Its a particularly appropriate time, as *DSN* has just released its State of the Industry report—the most comprehensive analysis of discount retail segments and rankings of top chains in the U.S., Mexico and Canada.



TONY LISANTI
Editor

- Warehouse club of the future. While wholesale clubs slug it out for market share in the Northeast, Price Club last month entered a new market with a new prototype. The new Price Club in Dallas, at over 150,000 sq. ft., gives us an idea of how this no-frills warehouse look, which it pioneered 15 years ago, will change. It's more organized, better merchandised. And even more attention will be given to design, layout and merchandising as clubs become more consumer-focused.
- Niche lifestyle concepts or "theme stores." The ability to organize and design a specialty store around a specific theme—for example, home, health, safety or entertainment—will continue to grow and attract customers. While it's fun and exciting to shop, this type of store offers product expertise and advice as well as value. Among some of the hot chains are Safety Zone, Michael's Stores and Lechter's.
- Outlet stores. Value is the driving factor for the '90s consumer. And these stores, whether a manufacturer outlet or a designer brand driven store, will offer consumers the fashion and hot products they demand at prices lower than the traditional department and specialty stores.
- Dollar closeouters. One executive called this concept the "value variety store of the '90s." Key players include Everything's a $1.00, Dollar Tree and All For a Dollar. (See *DSN*, July 6, 1992).
- Surplus stores. If you can't sell it in your regular store, why not sell it elsewhere. Obviously, it's working. Sears, Wal-Mart, JCPenney, and Neiman-Marcus operate surplus stores and this concept will continue to grow in the value decade.
- Dollar Discounters. Chains like Dollar General and Family Dollar will continue to expand the number of stores and product assortment as they fill the void in the market at the lower income level abandoned by traditional discounters.
- Hard lines discount stores. Several chains in other segments of retailing, particularly home center and deep discount drug, are altering product assortment and evolving into discount stores specializing in hard lines categories. For example, F&M calls itself a hard lines discounter and Phar-Mor describes itself as a "deep discount store."
- Family apparel discount stores. The traditional discount department store will evolve into a value-driven family fashion superstore with apparel and home fashions as key categories, sprinkled with convenience and commodity products from major hard lines categories.
- Supercenters. For some discount department stores, it's a way of sustaining and hopefully boosting customer traffic and becoming a one-stop shopping destination. On the other hand, it's a way for supermarket chains to expand into more profitable basics in apparel and hard lines.

Have I dispelled conventional wisdom? As dominant as Wal-Mart is, there are other stars, other hot concepts, other newsmakers shaping the future of discounting.

BUYERS & SELLERS

Uncovering Reliable Data and Reader Mail

Last issue, I described the enormous amount of effort and research that goes into preparing *DSN's* Annual Report on the Discount Industry: Part 1.

Compiling the merchandise data for Part 2, which appears in this issue, is equally daunting. Just as in Part 1, questionnaires are faxed to executives at the top discount retailers. However, instead of going to chief executives and financial officers for sales and earnings information, Part 2 questionnaires go to merchandising executives for product category specific information. That data, along with information from numerous other outside sources—including manufacturer trade associations and other research firms like A.C. Nielson and NPD Group—is analyzed by *DSN's* editorial team, resulting in the category sales breakouts that are presented in this issue.

DON LONGO
Exec Editor

I was remiss last issue in not acknowledging *DSN's* senior editor Laura Liebeck for the outstanding job she performed in supervising the collection of information that resulted in *DSN's* Top 175 Discount Retailers chart. In expanding the list from 150 chains to 175 this year, Laura noted that she actually found discounters that she didn't know about. "I was able to get information on chains like Smart & Final, Bud's, Playtogs, Goldblatt's, Hi/Lo Automotives and Pic 'N Save, which I discovered while on a field trip to Jacksonville, Fla."

An equally impressive job was turned in by senior editor Mary Ellen Kelly, who supervised the compilation of merchandising data from myriad sources for this issue. Mary Ellen, who earned a promotion to senior editor earlier this year, has been with *DSN* for nearly eight years. "I was pleasantly surprised at the willingness of industry executives to supply proprietary, sensitive information on the strengths and weaknesses of their chains," said Mary Ellen. That willingness, we feel, is the reason why this year's merchandising analysis is the most accurate and reliable data available in the discount industry.

You can say one thing about discount industry executives: they are not reluctant to venture an opinion about something when they're asked to do so. In a recent column, I commented on the ridiculous mangling of the English language by proponents of politically correct speech. I closed the column with a request that readers send me their verbally kinder names for certain, shall we say, not PC chains. Here are some of the replies:

"Great editorial on political correctness. When we were developing the new name and retail identity for Pep Boys two years ago, no one seemed to be concerned with political correctness. Had they read your article at that time, we may have renamed the chain Pep People."

—Elinor Selame, president, Brand Equity, Newton, Mass.

"How about Pep Boys: Energized Pre/Just Post Pubescent Shoppe. Casual Male: I'll Give You A Call. Lionel Kiddie City: Animal Pre-pubescent Megalopolis. Oshman's: Asexual Osh Outlet. Some daze are like this!"

—Susan Brandt, Hobby Industries of America, Elmwood Park, N.J.

And, finally, a letter on a different topic: My three-and-a-half star review of this year's IMRA show:

"As chairman of the International Mass Retail Association, I would like to thank you for your 3½-star rating of the 1992 IMRA Annual Convention as reflected in your editorial of June 15th in *DSN*.

"More importantly, I'd like to tell you of my appreciation for your critique and especially the credit you gave to the IMRA staff. Clearly a convention program and all the attendant support pieces do not just come together automatically. Board members and staff work diligently to bring it about. Your editorial and rating will go a long way in helping us achieve a 4-star evaluation one day."

—Warren White, executive vice president, general manager, Clover, Philadelphia.

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SECOND ANNUAL DISCOUNT INDUSTRY SALARY REPORT

New SEC Rule Set to Clarify Exec Rewards

WASHINGTON — The Securities and Exchange Commission's proposed rules clarifying the reporting of executive compensation isn't expected to result in most discounters and other retailers making immediate major changes in how they reward top officers.

The new rules, which the SEC is due to vote on in the fall, are expected to show that retailers' compensation, in general, follows the practice of most American businesses, trade observers said. Executives at some of the more profitable chains, in fact, may be underpaid when their salaries, benefits and stock options are compared to that offered by leading manufacturering and service companies with similar sales and profits.

Besides the proposed compensation regulations, the SEC also plans to liberalize its rules governing oral communications among shareholders that would provide for more open discussion prior to proxy voting. Dissident shareholders would be allowed to talk about their voting plans and if these groups together hold under 5% of a company's stock they wouldn't need to make any filing with the SEC.

The SEC is accepting public comments on its proposed rules through the summer and plans to vote on the regulations in the fall.

Bills mirroring the thrust of the SEC's proposals were introduced in the Senate and House of Representatives last year. Future action on these measures is dependent on what happens to the SEC proposals.

The package of SEC rules, if adopted, could intensify growing shareholder disquiet with compensation paid to executives that seem to have no relationship to a companies performance, particularly with officers' salaries and stock options increasing while revenues and stock dividends fall.

Shareholder groups and investment funds like the United Shareholders Association, Institutional Shareholder Services, and the California Public Employees' Retirement Fund have been in the forefront of efforts to make companies more responsive to shareholders and to have executive compension reflect a business' actual performance.

Sears, so far, has been the only retailer subject to dissident shareholder activity (see *DSN*, June 1, page 3). But detailed disclosure of executive compensation could trigger stockholder reactions at a number of retailers when the relationship of salaries and benefits to sales and earnings for these companies are compared to that of other chains, especially industry leaders like Wal-Mart, Kmart, Price and Costco.

Compensation for executives at these four retailers were lower than for officers at many other chains, and the level of their compensation was less when measured as a percentage of operating income com-

(Continued on page 45)

Salaries of Top Execs in Publicly Held Discount Retailers

Executive	Title/Company	1991 Compensation (In Thousands*)
Charles Lazarus	Chmn.; CEO: Toys "R" Us Inc.	5,529.3
Stephen L. Pistner	Chmn.; CEO: Ames Department Stores Inc.	1,598.5
Joseph E. Antonini	Chmn.; CEO; Pres.: Kmart Corp.	1,545.8
Richard L. Sharp	Pres.; CEO: Circuit City Stores Inc.	1,221.2
William G. Kelley	Chmn.; CEO; Pres.: Consolidated Stores Corp.	1,090.0
Samuel J. Gerson	Chmn.; CEO: Filene's Basement Corp.	1,000.0
Edward A. Brennan	Chmn.; CEO; Pres.: Sears, Roebuck and Co.	979.8
Mone Anathan, III	Pres.: Filene's Basement Corp.	974.2
J.R. Hyde, III	Chmn.; CEO: AutoZone Inc.	958.5
Leon Levine	Chmn.; CEO: Family Dollar Stores Inc.	936.0
Michael Bozic	CEO; Pres.: Hills Department Stores Inc.	922.4
Bernard Cammarata	CEO; Pres.: TJX Companies Inc.	868.3
Don R. Clark	Chmn.; CEO: Caldor Corp.	820.3
Leonard S. Williams	CEO; Pres.: Pic 'N Save Corp.	817.6
Julian M. Seeherman	Chmn.; CEO: Venture Stores Inc.	808.9
Mark D. Begelman	CEO; Pres.: Office Depot Inc.	789.3
David D. Glass	CEO; Pres.: Wal-Mart Stores Inc.	770.0
Walter E. Bruckart	Exec VP: Circuit City Stores Inc.	754.9
Raymond Zimmerman	Chmn.; CEO; Pres.: Service Merchandise Co. Inc.	754.6
Robert C. Nakasone	Vice Chmn.; Pres: WW Toy Stores/Toys "R" Us	753.2
Robert J. Ulrich	Chmn.; CEO: Target	752.0
Marc I. Balmuth	Pres.: Caldor Corp.	736.3
Michael Goldstein	Vice Chmn.; CFO: Toys "R" Us	722.8
Peter R. Formanek	Pres.: AutoZone Inc.	720.9
David I. Fuente	Chmn.; CEO: Office Depot Inc.	717.1
Richard Lesser	Exec VP: TJX	710.7
Richard S. Miller	Exec VP US Stores: Kmart	695.7
Donald G. Soderquist	Vice Chmn.; COO: Wal-Mart	650.0
Joseph R. Thomas	Exec VP Intl. & Admin.: Kmart	640.0
Sy Syms	Chmn.; CEO: Syms Corp.	637.0
C. Clayton Burkstrand	Chmn.; CEO: Pamida Holdings Corp.	635.5
Herbert J. Zarkin	Exec VP: BJ's Wholesale Club	634.5
Philip G. Otto	Pres.: Venture Stores Inc.	621.3
Ronald A. Unkefer	Chmn.; CEO: Good Guys Inc.	600.0
Mitchell G. Leibovitz	CEO; Pres.: Pep Boys	596.2
Drayton McLane Jr.	Vice Chmn.; Wal-Mart/Pres., CEO.: McLane Co.	585.9
A.L. Johnson	Vice Chmn.; CEO: Sam's Clubs/Wal-Mart	575.0
Herbert Fisher	Chmn.; CEO: Jamesway Corp.	559.0
Robert A. Gunst	Pres.: Good Guys Inc.	550.0
John A. Fitzsimmons	Senior VP: Circuit City Stores Inc.	544.9
Roy M. Speer	Chmn.; CEO: Home Shopping Network Inc.	500.0
Frederick M. Stevens[1]	Chmn.; CEO: Fred Meyer Inc.	460.9
William R. Fields	Exec VP Merch & Sales: Wal-Mart	460.0
Robin L. Farkas	Chmn.: Alexander's Inc.	450.5
George A. Iacono	Pres.: Value City Dept. Stores Inc.	450.0
Leonard Luria	CEO, Treasurer.: L. Luria & Son, Inc.	450.0
Richard M. Schulze	Chmn.; CEO: Best Buy Co. Inc.	447.0
Frank R. Schlosser	Pres.: Pamida Holdings Corp.	440.5
Roger V. Goddu	Exec VP; GMM USA Toy Stores: Toys "R" Us	437.0
James D.Sinegal	CEO, Pres.: Costco Wholesale Corp.	418.1
Jeffrey H. Brotman	Chmn.: Costco Wholesale Corp.	416.0
Cal Turner Jr.	Chmn., Pres., CEO: Dollar General Corp.	405.2
Thomas G. Stemberg	Chmn.; CEO: Staples Inc.	395.7
Henry J. Nasella	Pres.: Staples Inc.	379.0
Monroe G. Milstein	CEO, Pres.: Burlington Coat Factory	375.4
George L. Jones[2]	CEO; Pres.: Rose's Stores Inc.	355.4
Alvin N. Lubetkin	CEO, Pres.: Oshman's Sport Goods Inc.	352.2
Dennis B. Johnson[3]	Pres.: Brendles Inc.	315.0
Peter J. Hayes	Pres.: Family Dollar Stores Inc.	312.3
Bradbury H. Anderson	Pres.: Best Buy Co. Inc.	311.0
Joseph M. Segel	Chmn.; CEO: QVC Network Inc.	307.5
Cyril K. Green	Pres.: Fred Meyer Inc.	305.8
Benjamin Strauss	Chmn.: Pep Boys	289.4
Dale P. Kramer	CEO; Pres.: ShopKo Stores Inc.	282.8
Lucius H. Harvin, III	Chmn.: Rose's Stores Inc.	275.0
Robert E. Price	CEO: Price Co.	270.0
Sumner L. Feldberg	Chmn.: TJX Companies Inc.	269.2
Ira Mondry	Pres.; CEO: Highland Superstores Inc.	263.2
Theodore Wallace	Exec VP; COO East Coast: Price Co.	252.4
Douglas D. Brendle	Chmn.; CEO: Brendles Inc.	250.0

* Compensation includes salary and bonuses/incentives and, depending on the retailer, such other payments as profit plan contribution, life insurance, auto expenses, financial planning and other perks, with specific salary and bonus/incentive amounts, where available, as indicated; stock options and cash payments under stock bonus plans are excluded.

[1] Frederick M. Stevens resigned from his post effective 1/25/91.
[2] George L. Jones started employment with Rose's Stores in July 1991.
[3] Dennis Johnson resigned on 1/17/92 and received $115,000 payment with his departure from Brendles in January 1992.

Source: Nordby International, Inc.

SECOND ANNUAL DISCOUNT INDUSTRY SALARY REPORT

SEC Tries to Clarify Compensation Rules

(Continued from page 41)
pared to other merchants.

The SEC's proposed regulations would require companies to provide a "clear and concise presentation of compensation paid or awarded to executive officers, and the directors' bases for making such compensation decisions."

The proposal calls for presenting the stark compensation figures now reported in the proxy statement for the annual meeting into about a dozen more easily understood charts and graphs, with notes offering still more explanations.

One nine-column chart would detail all the compensation—salaries, bonuses, stock options, restricted stock and other benefits—paid to the top executive and the next four highest paid officers. The options, furthermore, would be tracked in another chart that would list the value of these options based on stocks increasing in value by 50%, 100% or 200%.

The compensation information would also include the specific factors used by directors in determining pay packages and the relationship of the compensation's overall value to the company's performance.

The compensation package can be measured against the company's stock using a graph that plots the stock's value over a five-year period as compared with the performance of similar companies and the Standard & Poor's 500 stock index.

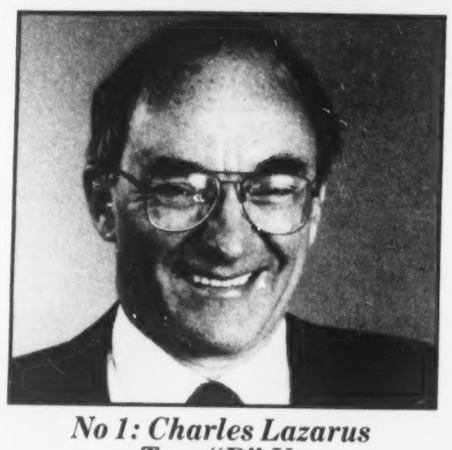
Business groups, including the Business Roundtable which is composed of top executives, have opposed past SEC plans to change its current compensation and communications regulations.

Business groups have focused their key objection to the changes in the oral communication rules. This groups' biggest fear is that dissident shareholders could set up a phone network among large investors and thereby bypass SEC rules requiring written disclosure of voting plans.

The SEC plans to retain its requirement that written shareholder material be filed with the agency within 10 days of any mailing. This would enable a company's management to examine the material and send out its response.

Business groups opposed the changes in the communication rules because freer, more open discussion among dissident shareholders could enable these stockholders to design tactics that could result in the defeat of directors and the takeover of a board.

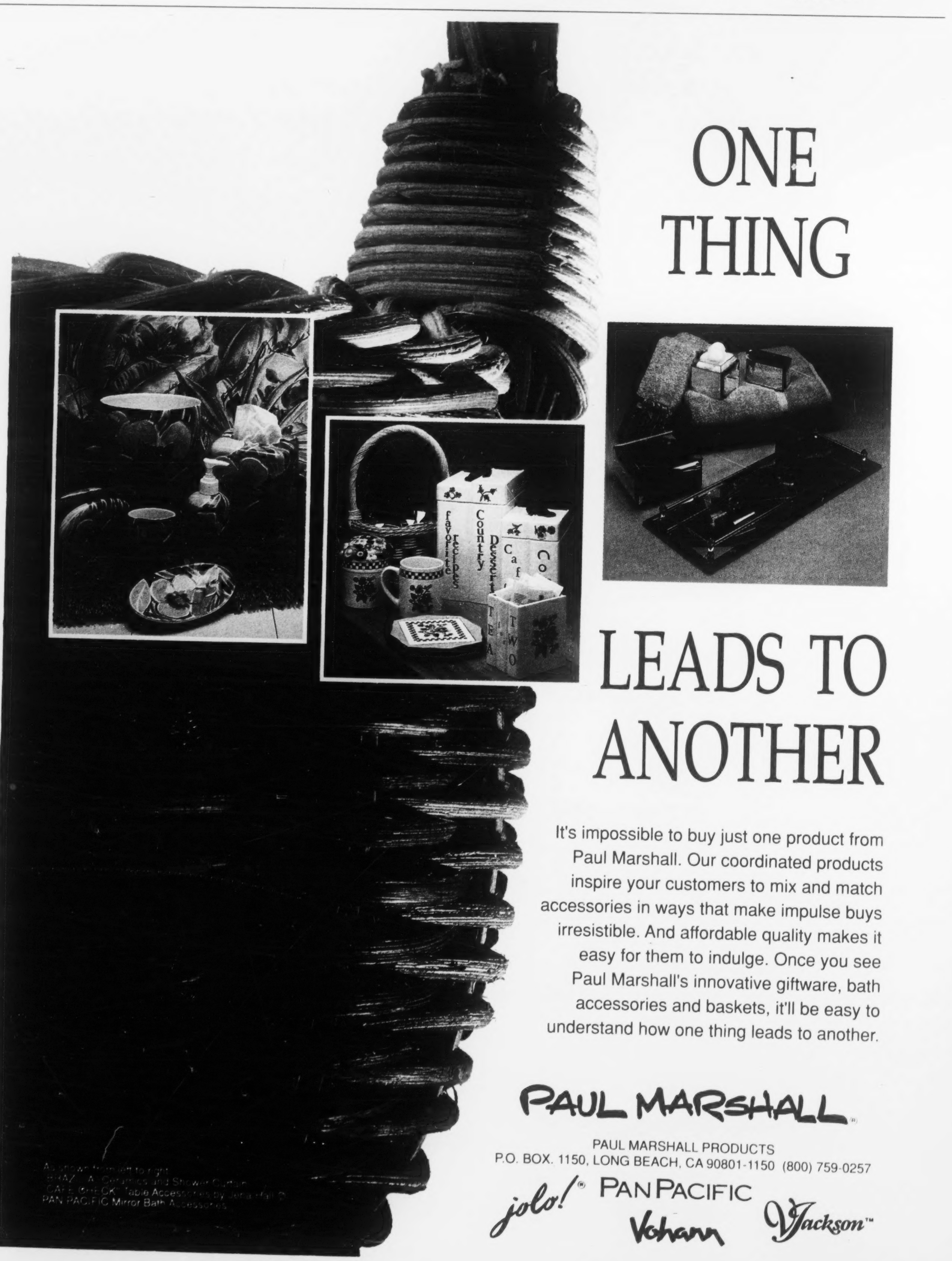
However, they are not as vociferous in opposing the compensation revisions because stockholder anger about the compensation paid to executives, in itself, doesn't lead to the overthrow of a board—it still needs discussions, planning and concrete action.



No 1: Charles Lazarus
Toys "R" Us
$5,529,300

No. 2: Stephen L. Pistner
Ames Department Stores
$1,598,500

No. 3: Joseph Antonini
Kmart Corp.
$1,545,800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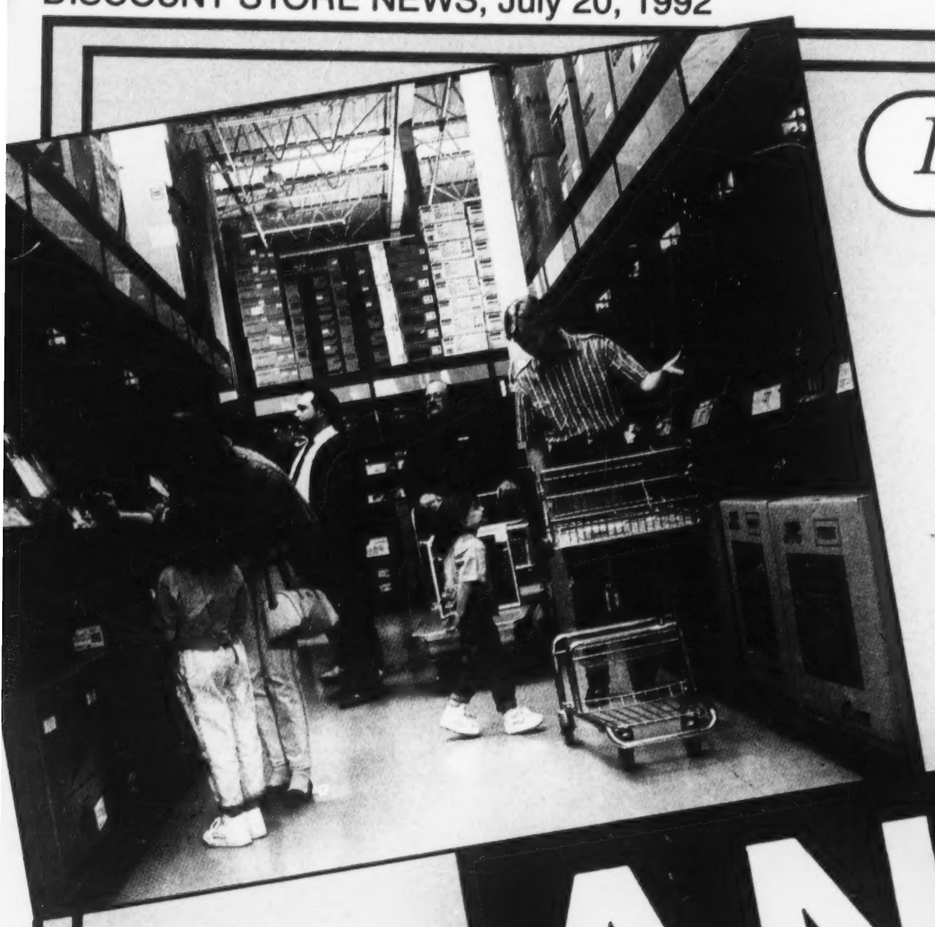


ANNUAL REPORT

Apparel, electronics and health & beauty care will be the leading sales volume categories at discount stores this year. See inside for DSN's annual breakout of departmental sales for the $175 billion discount industry.

'92 PART 2

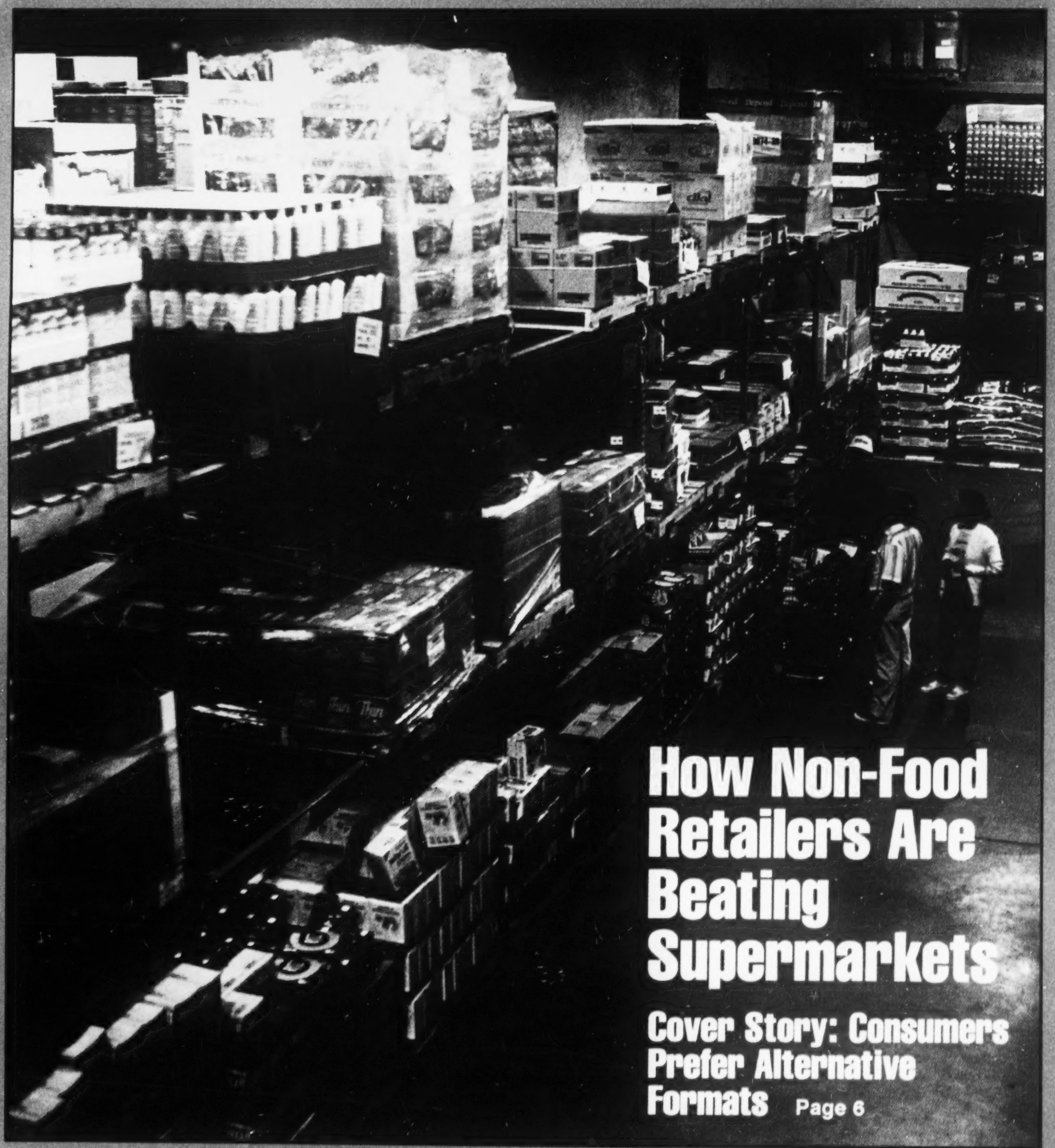
food merchandising®

FOR NON-FOOD RETAILERS

A special supplement to *Discount Store News* and *Drug Store News*

Summer 1992

Page 18



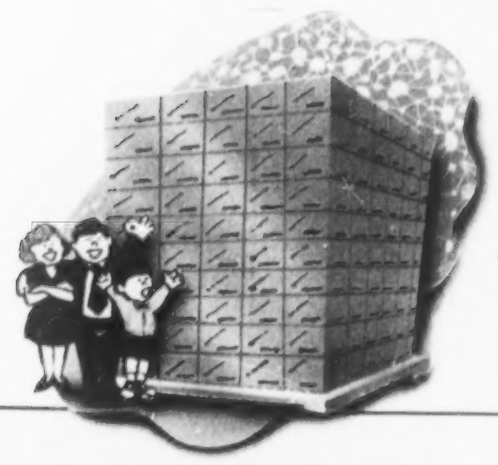
How Non-Food Retailers Are Beating Supermarkets

Cover Story: Consumers Prefer Alternative Formats Page 6

Seasonal Candy Fuels Drug Stores Holiday Sales Page 18

New Formats Turn Up Heat

Clubs, Discounters Have Unique Appeal



Longterm, discount combination stores such as Wal-Mart SuperCenters and Super Kmart Centers were recognized as 'the greatest threat of all.'

Wholesale clubs and the food operations of discount and drug stores have become increasingly formidable competitors to supermarkets, triggering explosive changes in the overall food retailing industry.

Faced with this competition, supermarkets have focused on one explanation for the growing success of alternative food store formats: they have contended that the key reason that alternative food store formats offer lower prices than traditional grocery retailers is that the clubs, discount store supercenters and deep discount drug stores receive better prices, terms and deals from manufacturers.

This analysis, by itself, is a major misconception. And this perceived price differential between merchandise offered to conventional food retailers and alternative food store formats has generated the biggest controversy and antagonism between supermarkets and manufacturers.

Alternative Store Formats, a landmark 130-page study of the marketing challenge facing supermarkets produced by the Food Marketing Institute and three consulting firms, reported that the specific merchandising and operating systems of these alternative food merchants played the key role in keeping their costs low—and resulted in lower prices. These merchants also delivered unique benefits to shoppers that were responsible for their mushrooming appeal.

The study also found that there were some price differences for merchandise sold to alternative food merchants compared to supermarkets, but that these differences related to the merchandising operations of the clubs, combination stores and deep discount drug stores.

The institutional sizes merchandised by clubs, for example, cost less per measure than the average size sold by supermarkets. The study explained that "this difference is a result of the convention among manufacturers to price larger sizes at lower costs per measure to communicate value, and build market share by encouraging larger purchases." Deep discount drug stores, meanwhile, gain lower prices "through their heavy deal and closeout buying practices [although they pay the penalty in the form of lower turns and higher working capital]," the study noted.

Opinion Research Corp. developed the consumer research information, McKinsey & Co. detailed the economic nature of the competition and William Bishop Consulting suggested possible supermarket responses.

The study, officially presented at the FMI's annual convention in May in Chicago, detailed the attraction of alternative store formats to consumers and these merchants' impact on supermarkets.

The study's main focus was on membership warehouses, as clubs are currently viewed as supermarkets' most dynamic competitors. But over time, clubs' appeal is expected to decline as traditional supermarkets and other food retailers offer merchandise in large and institutional sizes and at lower prices.

Longterm, discount combination stores such as Wal-Mart SuperCenters and Super Kmart Centers

Retail observers have called the no-frills membership warehouse clubs the 'most dynamic retail channel of the '90s.'

Costco's growth in fresh baked goods, produce and meats is earning it a reputation as one of the best food merchants.

were recognized as "the greatest threat of all," as they could be shopped by all consumers, not just individuals who first have to become a member of a wholesale club to buy there. The combo stores' greater food assortment, compared to clubs' offerings, along with their full-line general merchandise mix, enhanced their appeal to consumers.

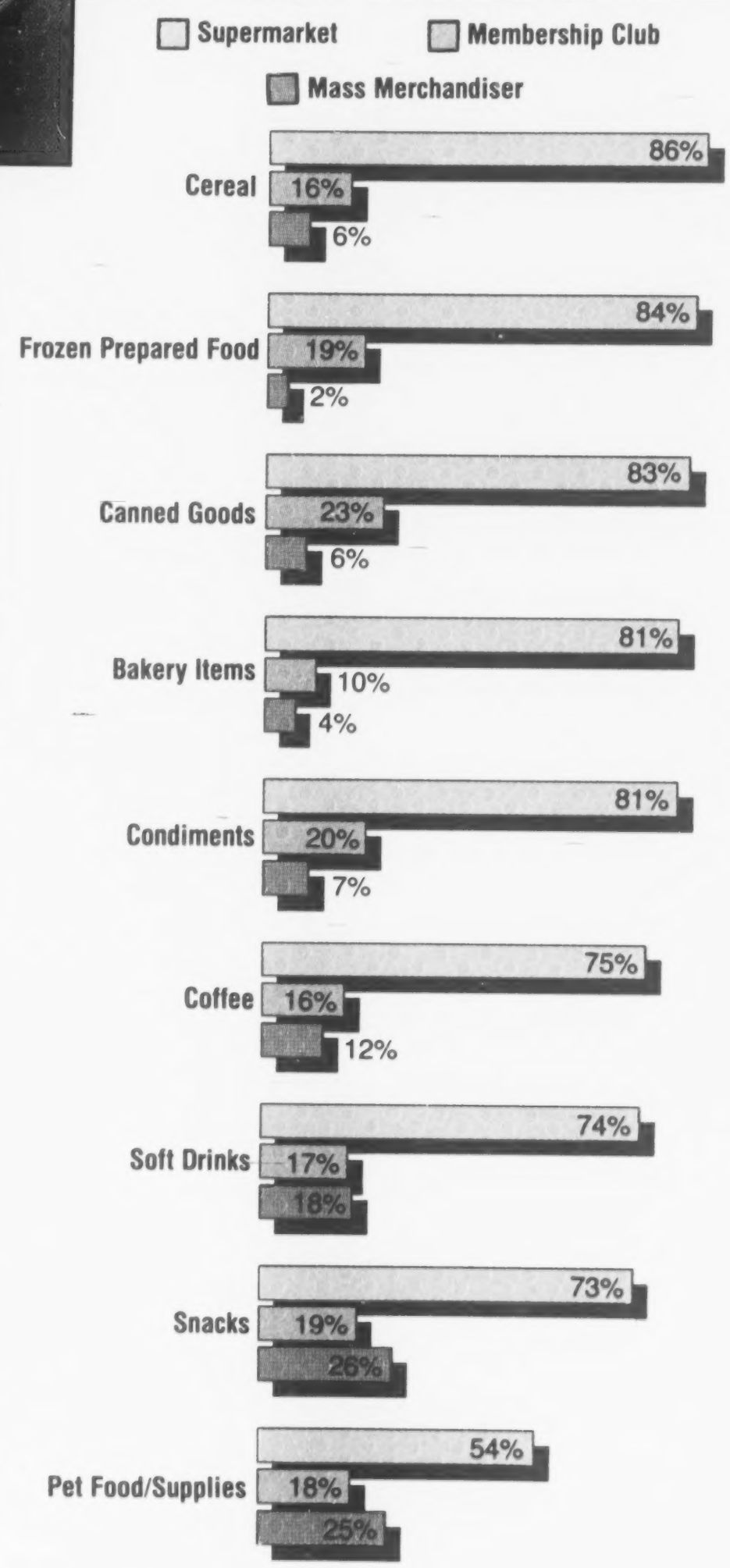
The shopping analysis by Opinion Research Corp. and William Bishop Consulting noted that consumers shopped the three alternative store formats for different reasons that go directly to their targeted marketing concepts. McKinsey & Co.'s analysis of the economics of alternative store formats detailed the operational business "secrets" of these food merchants that allow them to undersell supermarkets for most products.

Clubs are shopped for "stock-up needs," the purchase of large and institutional sizes of consumables at very low prices that enable consumers to cut back on the overall time they expend buying basic groceries. Combination stores are shopped for price, both everyday low tickets and sales and specials, and, to a lesser degree, the availability of general merchandise. The deep discount drug store appeal is primarily the low prices of in-and-out special buys.

The economic analysis noted that clubs and combination stores use efficient business systems designed to reduce expenses and that they result in operational costs substantially under that of supermarkets. Clubs' operating expenses are 7.5% of sales, combination stores' are 17.5% and deep discount drug stores' are 16% as against supermarkets' 21.8%

McKinsey said in its analysis of the clubs that "our national market ►

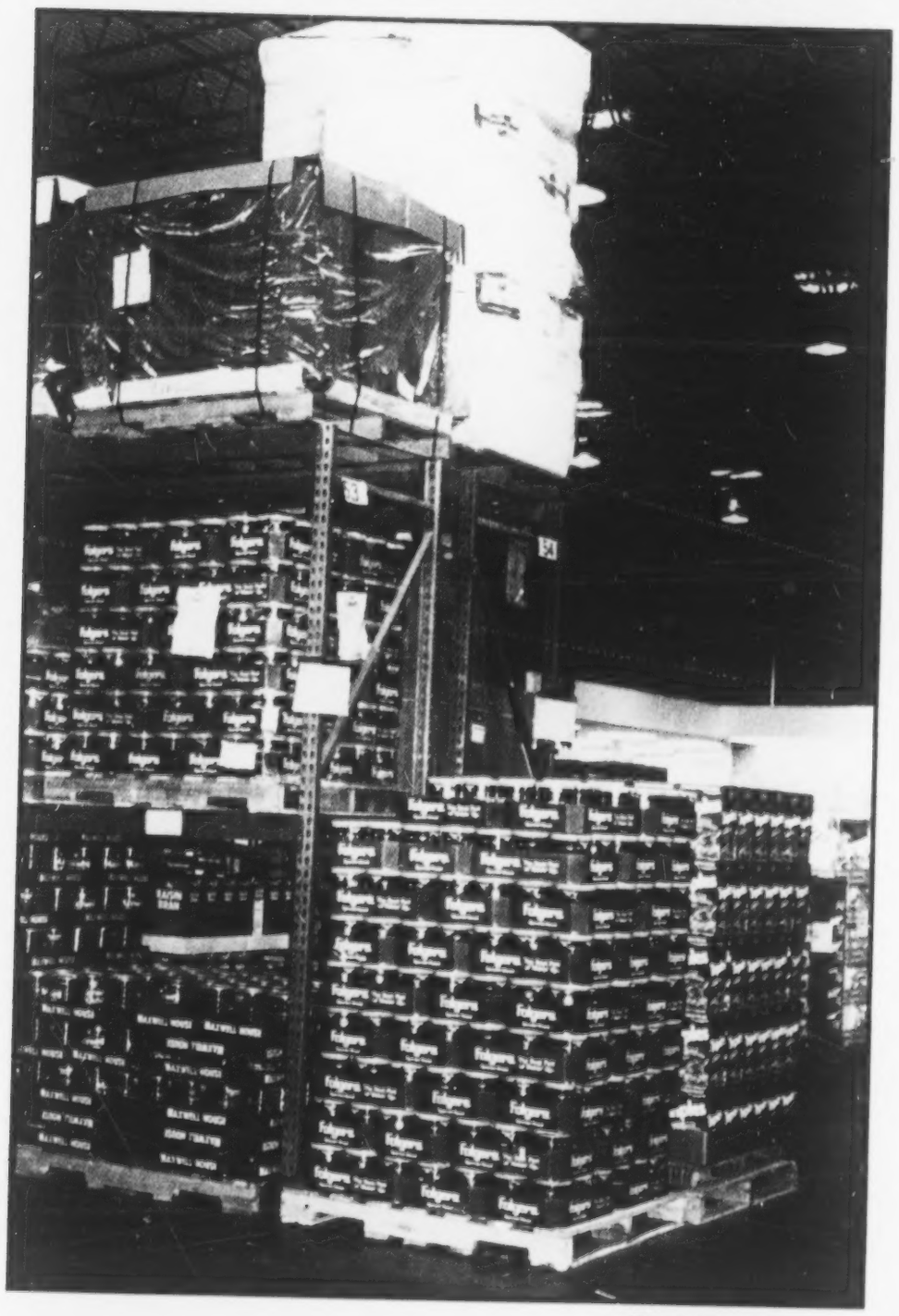
Where Alternative Format Shoppers Buy Specific Items



Multiple responses accepted.
Stores where each item purchased asked only of those who buy that item.
Base varies from item to item.

Source: FMI

Discount drug stores like Phar-Mor generate about 15% of their total volume from consumables.



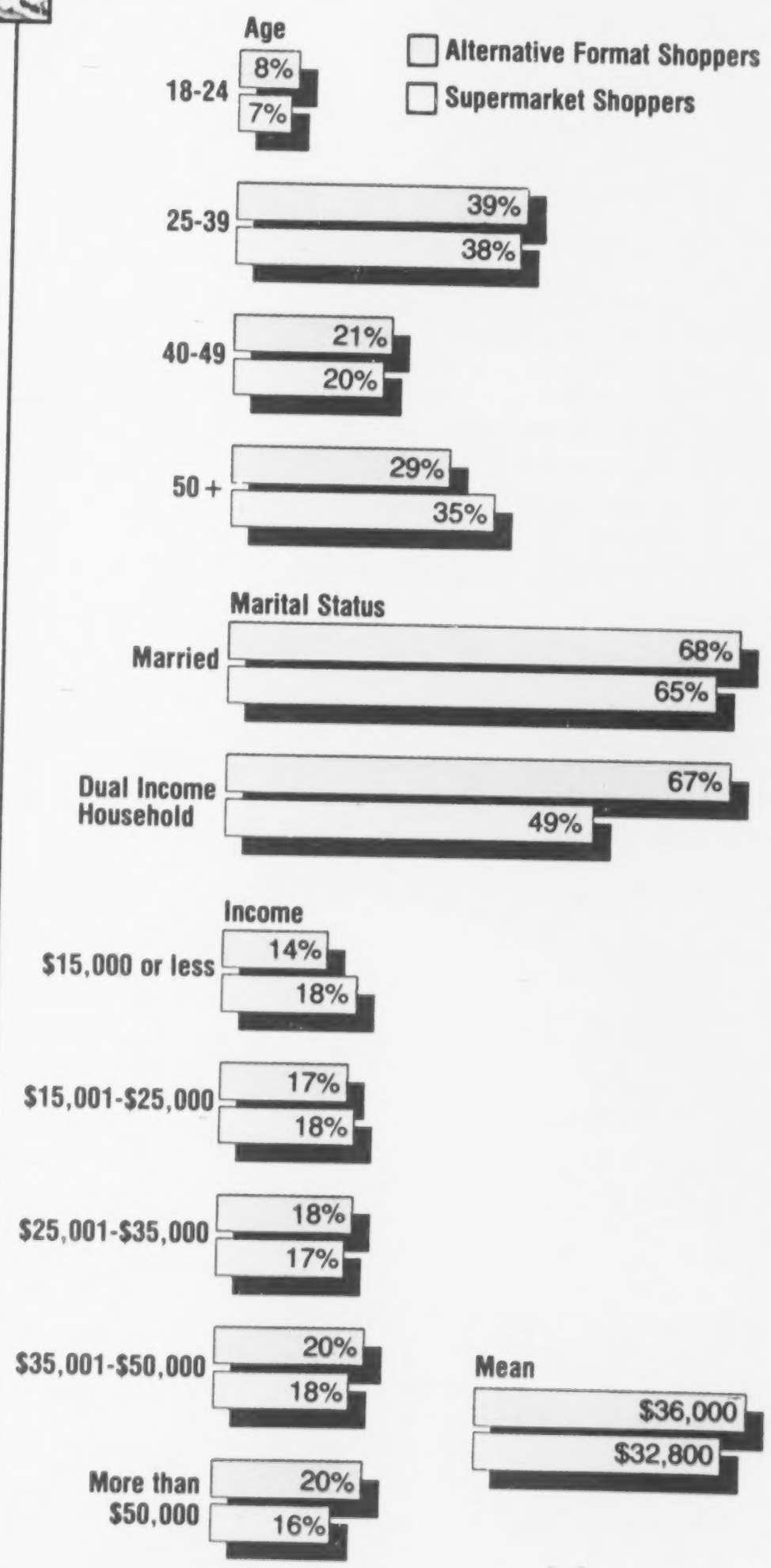
basket comparison of grocery-related items . . . showed that club prices (per ounce or other measure) average 26% lower than grocery prices. Approximately 16 points of this difference can be explained by the combination of operating efficiency and revenues earned from membership fees."

Turning to combination stores,

(Continued on page 22)

Distribution advantages enjoyed by clubs allow them to operate on razor thin gross margins of between 8% and 9%.

Demographics of Alternative Format Shoppers vs. Supermarket Shoppers



Source: FMI

Eating Into Food Sales

Alternative Formats Make Inroads in Convenience Items

By Laurie Freeman

Discounters—mass merchandisers and warehouse club stores—have emerged as formidable competitors in the food and grocery business, particularly in the convenience food area, according to exclusive research conducted by Leo J. Shapiro & Associates for *Food Merchandising*.

These places where economy-minded shoppers go to purchase everything from bread to cereal have attracted shoppers in nearly six out of every 10 (58%) households in the United States. The warehouse club is the most successful grocery retailer of the non-traditional or alternative format outlets, with 45% of those people questioned saying that they shop for food at clubs; discount department stores ranked second, with 38% of shoppers saying they bought food there, and drug store chains follow with 32% of shoppers.

Frozen Food Sales Strongest at Clubs

% Purchased in Past Year at . . .

	Any Non-Food Merchandiser	Warehouse Club	Discount Dept. Store	Drug Store	Median Dollar Store
Coffee	28%	13%	7%	7%	$ 40
Spices	24	9	7	6	20
Frozen Foods	28	18	5	2	150
Microwaveable Prepared Foods	20	9	6	2	100
Lunch Box Items	18	9	6	5	75

Percentages based on all respondents

Source: Leo J. Shapiro & Assoc. for **FM**

Overall, the data indicates consumers are much more willing today to make their convenience food purchases outside the supermarket.

From the research, a picture emerges of discount department store and warehouse club formats becoming an increasingly important source for prepared convenience foods. Just over half of U.S. households, 53%, have purchased at least one convenience food item from an alternative format outlet in the past year. The products that shoppers are most likely to buy at a club, discount or drug store are coffee, with 28%; frozen foods, 28%; and spices, 24%.

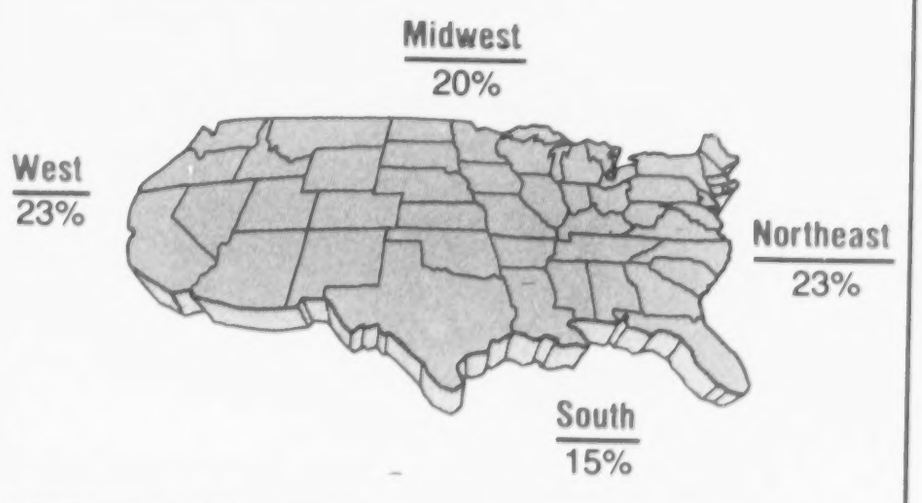
However, consumers are lavishing most of their food dollars on frozen foods, with a median of $150 spent on those items in alternative format stores. Microwaveable foods came in second, with a median of $100 spent on these items. Warehouse club stores do the best business in convenience foods, particularly in the frozen section (18% of consumers said they purchased them in the past year) and in coffee (13%).

Perhaps most worrisome to traditional grocery retailers is the demographic makeup of convenience food purchasers at alternative formats. These consumers tend to be younger, with larger households and higher annual income. Thirty-one percent of those who visit warehouse club outlets have children in the household, and 26% who shop discount department store outlets have children; only 13% of households with children purchased any convenience food in the past year from drug stores.

In contrast, 24% of households without children shopped for convenience foods at warehouse club stores; 18% of these households without children went to discount department stores to purchase food, while 18% of those households also picked up convenience food

FM Spotlight on: Microwaveable Prepared Food

20% of consumers purchased microwaveable prepared food at a warehouse club, discount department store or drug store in the past year.



Northeast and West regions garner highest percentages of microwaveable food buyers at clubs, discount and drug stores.

Mean spending on microwaveable foods in past year at clubs, discount and drug stores:

$177

Source: Leo J. Shapiro & Associates for **FM**

ShopKo has repositioned convenience groceries from a traffic building position at the front, to a warehouse-racked department which offers a broader selection on the perimeter of the upscale-looking store.

items at drug stores.

"Consumers buying at discount stores are going to stock up on specific items," said Sara Parikh, a project director for Leo J. Shapiro & Associates, Chicago. "A large household, particularly with children, they're the ones looking for the giant jar of mayonnaise. And there's a greater incentive to make as many purchases as possible while there."

The study, which consisted of telephone interviews with 454 adults nationwide, showed that single person households and households without children are more likely to buy convenience foods from drug stores rather than from discount department stores or club outlets.

"These shoppers aren't likely to be doing much stocking up; they're really stopping in to buy one item or dinner for that night," Parikh said.

Overall, the data indicates consumers are much more willing today to make their convenience food purchases outside the supermarket, Parikh noted.

"Consumers are shopping more food and drug combination stores than ever before. It makes sense for discounters to expand their selections of convenience foods and dry grocery to capture more of those consumers," Parikh said.

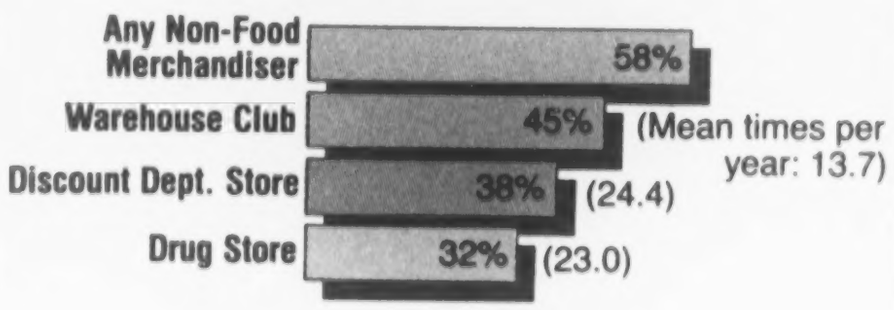
Lunch box items, like single-servings of desserts, also proved to be popular items at warehouse club stores for households with children. Of the 175 respondents who said they had children in the household, 15.1% purchased lunch box items from warehouse club stores; 7.6% made purchases at discount department stores, while only 4.6% purchased those items at drug stores. The median amount spent on those items totaled $80.

Interestingly, the alternative format stores that are located in the West do the best business in convenience foods, with 64% of shoppers there saying that they purchase those c-food items at clubs, discount or drug stores. Forty-six percent of shoppers in the West said that they made their convenience food purchases at warehouse clubs.

In the Midwest, discount department stores, which attract 27% of shoppers, fare slightly better than do the warehouse clubs, which are able to bring in about 25% of shoppers. However, in the Northeast, the three alternative format types are running neck and neck in the race for a piece of the convenience food business. **FM**

FM Convenience Foods Shopping Summary

Percent of households that bought convenience food or grocery products from . . .



Source: Leo J. Shapiro & Associates for **FM**

Case Study: 'Alternative Channel Marketing'

The key question in marketing to alternative channels is "How can I adapt to new opportunities without getting burned?" said David Tuchler, director of Equal Marketing for The NutraSweet Company.

At a Chicago forum on targeting alternative formats, Tuchler gave a case history of Equal Sweetener's success across all outlet types. Things to consider, he noted, included the risk on profit margins ("Any new size puts a strain on warehouse and distribution systems") and the instability ("Grocery business is relatively stable in comparison to the more volatile, in-and-out mentality of other channels").

However, the company has been successful by using such strategies as:

- Staying consumer-driven by generating demand across all channels;
- Concentrating on customer service by meeting technological needs of these growing retailers and providing sales and service attention;
- Utilizing simple, effective promotions, such as NutraSweet's Cher Fitness video promotion; and,
- Changing product mix to meet consumer expectations of greater value, larger sizes and banded products. **FM**

$16.6B Food Sales for Top Chains

Wal-Mart, Sam's Club & Kmart Are Heavy-Hitters in Groceries

Wal-Mart, with an estimated $6.25 billion in food sales at its discount stores, Sam's Clubs and Wal-Mart SuperCenters, was the leading non-grocery store food retailer in the United States last year. *FM's* first census of the Top 15 non-food chains' share of the food business reveals that Wal-Mart's discount stores and SuperCenters rang up $3.5 billion in food sales, or 11% of the company's total $31.7 billion in sales. Sam's Club separately added another $2.75 billion in food sales to Wal-Mart's corporate total.

Although a relative newcomer to food retailing, Wal-Mart already generates more food and beverage sales than the total sales of all but the seven largest supermarket chains in the country. More importantly, food sales figures for Wal-Mart and the other discount department stores, warehouse clubs, drug stores and hypermarkets on *FM's* list do not include sales for the many general merchandise items sold in supermarkets and included in the supermarkets' sales figures.

Kmart, with $1.9 billion in food sales at discount stores last year, was the third largest non-grocery chain on *FM's* Top 15 list. Its Pace Membership Club division ranked No. 8.

Wal-Mart already generates more food and beverage sales than the total sales of all but the seven largest supermarket chains in the country.

Overall, the Top 15 list consists of four discount department store chains, five warehouse clubs, two hypermarkets/supercenters, four conventional drug stores, and one deep discount drug chain. (Phar-Mor and Ames tied for 15th place, thus 16 retailers are listed this year.)

Wal-Mart's already impressive food sales indicate how capable the giant retailer is of achieving the top spot among all American food retailers by the year 2000. The accelerated rollout of its SuperCenter concept to more of America's rural towns, replacing older, smaller Wal-Mart stores, will grow the company's food sales exponentially.

Likewise, Kmart will make a leap in food sales if its Super Kmart Center passes muster in its test stage.

Clubs like Pace and Costco already are closing in on $2 billion in annual food sales, and will likely increase food sales by 25% to 35% in each of the next five years. **FM**

Top Non-Food Merchandisers Ranked by Food Sales

Chain	Type	Total Sales* (000)	Est. Food Sales (000)	Units
Wal-Mart Bentonville, Ark.	DDS	$ 31,741,902	$ 3,500,000	1,720
Sam's Bentonville, Ark.	CLUB	9,430,157	2,750,000	208
Kmart Troy, Mich.	DDS	25,548,000	1,925,000	2,391
Price[1] San Diego	CLUB	6,598,053	1,715,000	58
Costco[1] Kirkland, Wash.	CLUB	5,215,500	1,616,805	71
Meijer Grand Rapids, Mich.	HYPER	2,900,000	1,110,000	67
Fred Meyer Portland, Ore.	HYPER	2,702,721	981,088	122
Pace Englewood, Colo.	CLUB	3,646,000	915,000	87
Target Minneapolis	DDS	9,041,000	550,000	463
B.J.'s Natick, Mass.	CLUB	1,432,228	360,000	29
Walgreens[1] Deerfield, Ill.	DRUG	6,733,044	330,000	1,646
Jack Eckerd Clearwater, Fla.	DRUG	3,800,000	195,000	1,675
Rite Aid Camp Hill, Pa.	DRUG	3,784,376	175,000	2,796
American Drug Stores Oak Brook, Ill.	DRUG	3,730,000	150,000	700
Phar-Mor Youngstown, Ohio	DDD	2,875,000	150,000	262
Ames Rocky Hill, Conn.	DDS	2,819,435	150,000	371
Total:		$121,997,416	$16,572,893	12,666

*For most recently completed fiscal year

[1]Fiscal year end 8/91; 9/91

Note: Food sales include candy, snacks and non-alcoholic beverages as well as traditional grocery food items.

DDS—Discount Dept. Store
CLUB—Membership Warehouse Club
HYPER—Supercenter/Hypermarket
DRUG—Chain Drug Store
DDD—Deep Discount Drug Store

Source: Company Research, **FM** Research

Alternative Formats

Supercenters operated by Kmart and Wal-Mart may ultimately be supermarkets' toughest competition.

Membership Club Shoppers Spend 60% More Per Visit than Supermarket Shoppers

On a monthly average, alternative format shoppers visit and spend . . .

	Average $ Per Month	Average $ Per Visit
Membership Club Avg. 1.4 visits	$120	$86
Mass Merchandiser Avg. 2.5 visits	78	31
Supermarket Avg. 4.1 visits	222	54
Sum	$420	

Source: FMI

Heavy Club Shoppers Spend More Than Supermarket Shoppers On Each Shopping Trip . . .

On a monthly average, the heavy membership club shopper visits and spends . . .

	Average $ Per Month	Average $ Per Visit
Membership Club Avg. 2.2 visits	$229	$104
Mass Merchandiser Avg. 2.4 visits	99	41
Supermarket Avg. 3.9 visits	281	72
Sum	$609	

Source: FMI

. . . But Light Club Shoppers Spend About the Same as Supermarket Shoppers per Shopping Trip

On a monthly average, the light membership club shopper visits and spends . . .

	Average $ Per Month	Average $ Per Visit
Membership Club Avg. 1.0 visits	$53	$53
Mass Merchandiser Avg. 2.7 visits	83	31
Supermarket Avg. 3.8 visits	196	52
Sum	$332	

Source: FMI

(Continued from page 8)

McKinsey said that these retailers' prices were "approximately 15% lower" than supermarkets. "More than half the difference is driven by the combination of more efficient operations and their willingness to earn a slightly lower EBIT than grocers."

As for deep discount drug stores, their prices are "approximately 18% lower" than supermarkets. "Operating efficiences explain four points . . . another four points are driven by the willingness of these operators to earn a 4% EBIT, which is lower than the EBIT earned by grocers [on a similar basket of merchandise]."

Supermarkets have responded to the challenge from alternative store formats in a number of ways:

- They have sought to buy merchandise sold to alternative food retailers in the same forms—club-packs, for example—under the same prices and terms. Some supermarkets have even acted against manufacturers that didn't offer the same goods.

Two major suppliers have instituted everyday pricing programs and cut back on deals, to establish and maintain low prices that would enable supermarkets to better compete with alternative store formats.

- They have added club-pack merchandise to their mix, either as part of their basic presentation or in a "warehouse" section.
- They are turning to technology to lower operating costs and improve customer service to become more price competitive while enhancing their appeal as the prime shopping choice for food merchandise. **FM**

Discount Industry Annual Report

PART II: MERCHANDISING AND PRODUCTIVITY ANALYSIS

Study Breaks Out Discount Sales

Twenty-six product categories will account for approximately $103 billion of the $105 billion in sales that full-line discounters—including traditional discount department stores, superstores, hypermarkets and dollar discount stores—are projected to generate this year.

Those 26 categories will account for the bulk of sales in membership warehouse clubs ($34.7 billion of a projected $35 billion total) and catalog showroom chains ($6.1 billion of a projected $6.4 billion total).

Specialty discounters, as a group, will also grab a large share of total discount industry sales in several product categories. The specialty discount store segment in this year's *DSN* State of the Industry Report: Part 2 includes craft, footwear, cosmetic & frangrance specialty chains, and sales of H&BC, food, and pharmacy through deep discount drug stores and other channels such as variety stores and discount home centers.

Among full-line discounters, hard lines merchandise represented the largest part of projected 1992 sales volume at just under $40 billion (about $10 billion of which, generated by H&BC and pharmacy departments combined). Hard lines includes H&BC, automotives, food, toys, hardware, sporting goods, stationery, lawn & garden, pharmacy and household cleaners.

Apparel categories, which include ladies', children's, men's, footwear, handbags & accessories, jewelry and cosmetics & fragrances, together will bring nearly $35 billion into full-line discounters.

Consumer Electronics, housewares, domestics, traffic appliances, photo, crafts, pre-recorded video, juvenile products and RTA furniture comprise *DSN's* definition of the home products merchandise group. Together these categories will generate revenues of nearly $29 billion.

Among the forces driving the discount store industry and the relative strengths and weaknesses of its merchandise categories in 1992 are the relentless demand for discount pricing by consumers,

(Continued on page 54)

***Women's apparel was the top** category for generating discount store sales in DSN's survey. To capitalize on this, stores like this ShopKo in Salem, Ore., are expanding their soft lines offerings.* (DSN photo)

Full-Line Discount Store Productivity: 1992

Category	Discount Volume (In Billions)	Sales Per Store (In Thousands)	Dept. Size (In Sq. Ft.)	Annual Sales Per/Sq. Ft.	Annual Turns	Percent Initial Markup	Percent Gross Margin
Ladies' Wear	$11.9	$1,488	9,000	$165.28	4.5	45.7%	34.2%
Children's Apparel[1]	8.5	1,063	8,500	125.00	4.7	41.4	31.5
Men's Wear	7.0	875	6,500	134.62	4.3	42.3	32.9
Consumer Electronics[2]	6.8	850	2,200	386.36	3.8	26.2	17.5
Health & Beauty Care	6.2	775	2,400	322.92	5.4	20.8	16.1
Housewares[3]	5.7	713	3,500	203.57	3.5	38.1	28.6
Automotives	5.6	700	2,100	333.33	3.3	29.2	21.4
Food[4]	5.5	688	2,400	286.46	9.5	23.7	17.1
Domestics	5.1	638	3,600	177.08	3.1	42.1	32.2
Toys[5]	5.0	625	3,000	208.33	3.1	31.2	23.7
Hardware[6]	3.8	475	3,000	158.33	2.6	35.2	27.8
Sporting Goods	3.8	475	2,550	186.27	2.6	33.1	24.8
Stationery[7]	3.2	400	2,200	181.82	3.4	44.8	41.2
Lawn & Garden	3.0	375	1,450	258.62	2.3	25.1	13.8
Traffic Appliances	3.0	375	2,000	187.50	4.1	24.5	15.4
Photo[8]	2.9	363	450	805.56	3.7	21.1	15.6
Pharmacy	2.7	344	600	572.92	NA	NA	NA
Crafts	2.5	313	1,100	284.55	2.6	41.9	33.8
Footwear	2.1	263	2,200	119.32	3.3	50.4	39.2
Accessories[9]	2.1	263	2,200	119.32	3.7	45.8	43.9
Jewelry[10]	2.0	250	1,000	250.00	1.8	50.9	40.2
Cosmetics & Fragrances	1.0	125	1,000	125.00	2.5	34.5	27.2
Household Cleaners	1.0	125	1,500	83.33	5.1	18.3	5.1
Prerecorded Video	1.0	125	150	833.33	4.5	NA	24.9
Juvenile Products[11]	0.8	100	1,000	100.00	3.8	33.1	25.4
RTA Furniture	0.7	88	500	175.00	NA	NA	NA

[1] Children's Apparel includes boys', girls' and infants'
[2] Consumer Electronics includes records and tapes
[3] Housewares includes non-electrics only
[4] Food includes candy, snacks, beverages and packaged foods
[5] Toys include wheel goods and video games
[6] Hardware includes paints, tools and home improvement items
[7] Stationery includes office supplies and greeting cards
[8] Photo includes cameras, film and supplies
[9] Accessories includes handbags and hosiery
[10] Includes costume and fine jewelry
[11] Juvenile Products includes furnishings, seats, strollers and baby needs
NA—Not available or not applicable

Source: DSN research

Annual Discount Industry Report

Part II:

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DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Survey Shows Top Sales Categories

(Continued from page 53)

as is evidenced by happenings within the department store industry. In order to survive, many full-price department stores today are taking a discount-like stance in at least some merchandise categories or are opening off-price formats of their own, such as Nordstrom's recently announced endeavor.

The recession is only part of the reason for the trend to discounting. As one dollar store executive has said, yesterday's consumers was motivated by "conspicuous spending" and by a pride in owning pricey goods bought at tony stores, while today's consumer is more likely to boast about bargains and "smart shopping."

But shopping smart does not always mean shopping at full-line discounters. Consumer are faced with a myriad of different discount shopping concepts. While warehouse clubs typically sell to businesses for resale or internal office use, there is no question that in categories like consumer electronics, H&BC, pharmacy and jewelry (and probably many others), a sizeable chunk of their sales are for personal member use.

Other discount dollars are going to specialty discounters. Categories where specialty chains are likely to gain market share in 1992 include apparel, consumer electronics, toys and hardware—categories which feature category killers like Marshalls and T.J. Maxx, Circuit City and Best Buy, Toys "R" Us and Home Depot.

Among the highlights of this year's report:

- Children's wear led the charge in the apparel category at discounters, which snare about 40% of total business in the kids' wear market.
- Discounters in the men's wear market are counting on casual sportswear for growth. Two directions are expected this year: a greater influx of casual coordinates that began showing up during 1991 and more emphasis on exclusivity.
- With its market share of the total automotive parts and accessories retail market forecasted to dip to 21% by 1995 from 24% last year, the discount store industry is turning to computerized parts kiosks and warehouse-style displays to try to counter the decline.
- Prospects for sales of jewelry at full-line discounters during 1992 are promising, but the jewelry business is still fluctuating as different retail formats vie for a share of the market, or struggle to maintain current volume levels.
- Grocery sales at discounters will continue to grow at a healthy pace in 1992. In fact, the expansion of general merchandise retailers into supermarket product categories has been so rapid that it has caused a great deal of controversy within the food industry over fair pricing policies.
- Consumers are increasingly shopping mass merchandisers for their health & beauty care needs. The market share for mass merchandisers has been rising steadily in the last few years and will likely continue to do so in the coming year. Changing demographics, particularly the general aging of the American population, will probably be one of the strongest influences in the merchandise selection and promotional strategies at discounter H&BC departments in the years ahead.
- Now that the majority of discounters has positioned the cosmetics department closer to the accessory areas, the category's image has been given a facelift. Brand name marketing programs and displays which, in some cases, even rival upscale department stores, coupled with the introduction of new mass market brands are expected to help fuel category growth.
- Full-line discounters have quietly turned up the heat in the CE category. Industry-wide, discounters have upgraded their vendor mix, refixtured their departments, added state-of-the-art merchandising tools, and entered new, high-tech product niches.
- Accessories have proven to be a fertile merchandise category during a recession. While it may cost too much to buy a dress, the purchase of a scarf,

The brilliant reds and golds of Autumn are pretty. But the best color of all is still...

BIG MONEY GREEN

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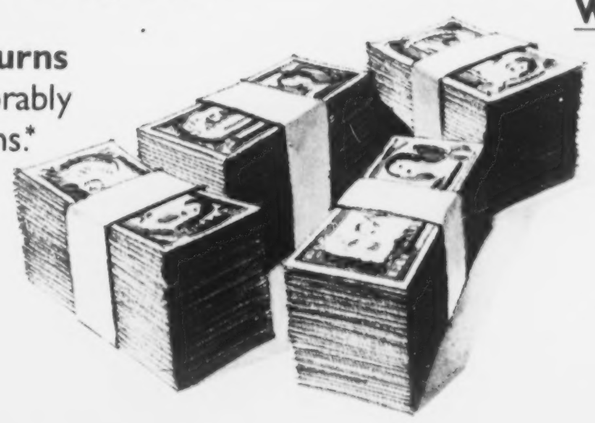
- Harlequin books average **12 turns per year,** which compares favorably to most other non-grocery items.*
- Harlequin markets its products the way large packaged goods marketers do. We put nothing on your shelves that has not been pre-tested.



When we take a product to market we know it's going to succeed.

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

a pin or a necklace to update an existing dress is often an affordable feel-good impulse purchase.

• In-line skates will be the star performer in sporting goods this year in terms of sales growth.

• With the help of such products as trolls, Barbie and high pressure water guns, the toy industry is hopeful sales in 1992 will surpass 1990 and 1991 levels. Early reports paint a more optimistic picture than last year at this time.

• The ready to assemble furniture category at full-line discounters was bolstered by the soft economy last year. Improvements in RTA style and its ease of assembly are expected to win over more consumers in 1992.

• Some discounters are utilizing on-site film developing as the centerpiece of a cross-merchandising strategy designed to build sales in higher margin accessories and special formats. Others have scaled back their selection of higher-end SLR cameras in favor of adding less expensive point-and-shoot models that turn quicker.

• Aided by the explosive growth of office supplies and the large infusion of fashion-forward merchandise, back-to-school/home office stationery sales should remain fairly strong this year.

• Discounter's share of the crafts category is projected to continue its steady climb in 1992.

• Lifestyle merchandising—offering merchandise that reflects how customers spend their time as well as the types of merchandise they use within their homes—will continue to be a key buying decision tool for discounters selling housewares in 1992.

• Due to a combination of the failure of large department stores, expansion of categories, and upscaling in both fashion and price point, discount stores are now the dominant channel of distribution in the area of domestics.

• Women's apparel sales grew modestly in 1991, but that glimmer of hope has retailers poised for a more promising 1992.

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In September Harlequin is turning up the sales power of all our Harlequin and Silhouette series with:

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*Management Horizons, Division of Price Waterhouse

Methodology

This year, *Discount Store News* has once again generated the single most comprehensive and authoritative text on the discount industry and its 1992 projected sales volume by merchandise category.

Improvements to this year's Census Part II Report include the addition of more detailed merchandise information and calculations on the forecasted 1992 sales volume generated by membership warehouse clubs in categories typically sold through these outlets. The decision to include clubs reflects the emerging dominance of these outlets in select merchandise categories such as food, household cleaners and stationery and office products.

Categories newly listed in this year's report include food, lawn & garden, pharmacy, crafts, footwear, handbags & accessories, cosmetics & fragrances, household cleaners, pre-recorded videotapes, juvenile products like car seats and strollers, plus ready to assemble furniture (RTA is exclusive of other lifestyle furniture such as bean bag and folding chairs).

In some cases, the projected sales volume for the newly listed categories was reflected in previous years within larger categories (such as RTA within housewares). In other instances, the new classifications reduced the sales volume which would otherwise have been included in the "Other" grouping (such as crafts).

We believe these changes will provide a more thorough evaluation of the evolving discount store industry and the merchandise it will sell during the current calendar year.

The report was the product of intensive research by the *DSN* staff, as well as detailed (and confidential) data and assistance from top discount chain executives, leading manufacturers and well-regarded trade associations.

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Lack of Focus Dampens Women's Apparel Sales

Women's apparel sales grew modestly in 1991, but that glimmer of hope has retailers poised for a more promising 1992.

The problems that have plagued ladies' apparel retailers for the past few years—little fashion direction and competition from specialty stores—are still the obstacles facing full-line discounters this year.

The lack of a clear fashion trend is the most pervasive problem. In addition, the success of off-pricers that feature department store merchandise at value prices has made it all the more urgent for full-line discounters to develop a complete fashion statement in their ladies' departments.

Brands still are the key to a successful apparel merchandise mix. The larger vendors, Gitano, Chic, Bonjour and Sasson, continue to be well-recognized in consumer studies.

However, the most successful brands during 1991 reflected the careful shopping patterns of a money-conscious consumer. Intimate apparel was among the leading categories in the women's area, with Fruit of the Loom and Hanes among the top-selling brands.

Fruit of the Loom is expected to make even more of an impact on the discount market in the coming year. Waranaco licensed the Fruit of the Loom name and the first line of bras under that label hit stores spring 1992.

Ladies' Wear $19.0 Billion	
Full-Line Discounters	$11.9B
Catalog Showrooms	—
Membership Warehouse	$0.7B
Specialty Discounters	$6.4B
Full-Line Discount Store Productivity	
Sales	$11.9B
Sales Per Store	$1,488,000
Dept. Size	9,000 Sq. Ft.
Sales Per Sq. Ft.	$165.28
Turns	4.5
Initial Markup	45.7%
Gross Margin	34.2%

Source: DSN research

In sportswear, shorts—which were a hit across all apparel markets—are doing well again in summer 1992 and for fall, denim looks like a winner; the five-pocket basic silhouette is favored by most discount buyers.

In a market searching for a trend, the word "basic" has come to mean a style all its own.

Five-pocket jeans, T-shirts in a range of colors and black leggings were uniformly fundamentals in the women's area.

Now that a few seasons of modest spending have passed, retailers may see women finally needing to replace not just their bras and panties and black leggings, but sportswear and casual clothing as well.

In refining ladies' apparel, many discounters are again looking to private label.

Kmart this year announced its first major private label introduction since Jaclyn Smith, the B.E. line. Wal-Mart has signed an exclusive licensing agreement to use the White Stag label.

Kmart's B.E., much like Target's Merona program, gives the apparel basics a label of their own. Both programs focus on standard wardrobe pieces such as T-shirts twill bottoms and knit tops.

As in men's wear, sweaters performed poorly in 1991, but some detailed sweaters for holiday are expected to make a splash.

While full-line discounters try to capture the fashion customers, off-pricers are set on finding a way to keep the fashion-driven customers they already have.

One advantage for the off-pricers is that less is required in terms of display.

Full-line discount stores, on the other hand, work to update merchandise and fixturing in tandem.

Stores such as 50-Off, One Price Clothing and Burlington Coat Factory grew considerably in 1991 with a no-frills approach. Even market leaders such as T.J. Maxx found that extras such as carpeting are not as important in the off-price apparel format. In its new Long Island stores, T.J. Maxx took the carpeting off its ladies' fashion apparel area, but reported no difference in sales.

The display formats that work best for all types of apparel outlets are likely to keep changing.

Discounters are already limiting elaborate vendor shops and concentrating on well-displayed category departments. Target, for instance, has stayed away from vendor displays. Likewise, Kmart has created multi-vendor "power" departments rather than highlighting one vendor.

On the other hand, off-pricers are making concessions as well.

Four-way fixtures, waterfall display and somewhat shorter piperacks are making stores such as Marshalls pleasant to shop in without appearing like an expensive, full-price specialty retailer.

The success of off-pricers also has more companies entering the frey. Nordstrom's announced it would open a number of off-price stores this year, separate from its Rack close-out chain.

Target Stores also introduced its first specialty spin-off this year, Everyday Hero. Still in test mode, this all-apparel format is not expected to extend beyond two stores, at least for 1992.

Accessories Sales Accelerate,

Accessories have proven to be a fertile merchandise category during a recession. While it may cost too much to buy a dress, the purchase of a scarf, a pin or a necklace to update an existing dress is often a feel-good and affordable impulse purchase.

Accessories did well in 1991, and to keep the momentum going, discounters are updating merchandise and formulating merchandising strategies for the department, rather than considering it an afterthought.

The accessories department *at one time only carried women's items, today retailers have expanded their mix to include children's merchandise such as Barbie earrings.*

Just as in apparel, the products that are considered "hot" change frequently in this market. In 1992, retailers can expect caps to continue to top sales. Hair accessories are also doing well, with scrunches and handbands, popular items for those with long tresses.

The look of the accessory area is also undergoing some changes. Most discounters now feature the department closer to the front of the store. At regional discounters such as Jamesway and Venture, new prototype formats are making the department easier to shop by sectioning the many accessory sub-categories.

The actual merchandise has also been upgraded. Most discounters offer real leather handbags as well as vinyl in their departments.

One big success story that will surely continue is sportbags. Used as everyday totes or for lugging around exercise items, the bags get heavy workouts and need replacing. The consumer is also buying more than one at a time in order to match the myriad of colors and patterns with an outfit or mood.

Manufacturers are also increasing the number of styles offered in sportbags. Duffles and backpacks will be featured prominently, especially for back-to-school.

The accessory department at full-line discounters is changing in another way. At one time it featured only women's accessories.

However, in stores such as Venture, a broader range of children's merchandise from Barbie earrings to Mickey Mouse hair clips are now featured in an all-inclusive accessory department.

Category Gains Precedence

Accessories[1] $2.9 Billion	
Full-Line Discounters	$2.1B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$0.8B
Full-Line Discount Store Productivity	
Sales	$2.1B
Sales Per Store	$263,000
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$119.32
Turns	3.7
Initial Markup	45.8%
Gross Margin	43.9%

[1]Accessories include handbags and hosiery

Source: DSN research

Footwear[1] $10.6 Billion	
Full-Line Discounters	$2.1B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$8.5B
Full-Line Discount Store Productivity	
Sales	$2.1B
Sales Per Store	$263,000
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$119.32
Turns	3.3
Initial Markup	50.4%
Gross Margin	39.2%

[1] Also includes sales through leased departments

Source: DSN research

One area that is not faring as well in accessories is belts. With oversized tops a predominant fashion trend, the need for fashion belts has been diminished.

More stores are carrying basic styles in belts that work with basic bottoms like jeans. Belts as a whole have also suffered as more manufacturers include them with a purchase.

They may not be making a comeback too quickly, but with more body-hugging styles using Lycra spandex coming into vogue, belts may have a resurgence in sales.

The shoe area—whether a leased department at Kmart or company owned like Wal-Mart or, recently, Venture—is having to compete with other retailers on a different level.

Specialty sporting goods stores are by far the favorite venue for the best selling shoes—branded sneakers. That has made it necessary for offerings at discounters to favor items like casual shoes for women and work shoes for men.

Discounters will continue trying to lure brands into the stores, but market leaders like Nike are not likely to bite. At least not this year.

Brands are not as predominant in other shoe areas, but the large apparel brands—Gitano, Chic, Bonjour, Sasson—bring name recognition into the shoe department as well.

Costume, Children's Jewelry Find Silver Lining

Prospects for sales of jewelry at full-line discounters during 1992 are promising, but all that glitters is not gold.

The jewelry business is still fluctuating as different retail formats vie for a share of the market, or struggle to maintain current volume levels.

In a difficult economic year, luxury items such as jewelry are often the first to suffer.

Jewelry[1] $5.9 Billion	
Full-Line Discounters	$2.0B
Catalog Showrooms	$2.2B
Membership Warehouse	$0.7B
Specialty Discounters	$1.0B
Full-Line Discount Store Productivity	
Sales	$2.0B
Sales Per Store	$250,000
Dept. Size	1,000 Sq. Ft.
Sales Per Sq. Ft.	$250.00
Turns	1.8
Initial Markup	50.9%
Gross Margin	40.2%

[1]Includes costume and fine jewelry

Source: DSN research

However, during 1991, gold jewelry and name brand watches were still on plan for many mass merchandisers. Costume jewelry also sold well—mirroring the accessory market—at a time when apparel was soft.

However, because of the wider range of accessory items now available at the mass market, jewelry found itself competing for those extra disposable dollars with merchandise such as caps, hats, scarves and other items.

The trends in jewelry offerings were in two directions for 1991.

Traditional gold-toned jewelry made use of pearls and demure button shapes.

The trendier side of the story included opaque gold colorations in everything from earrings, necklaces and pins. Silver continues to do well, mostly attracting a younger consumer.

An expected resurgence of denim may help sales of silver jewelry in the coming year.

For 1992, pins may be making a comeback. There were already large collage pins in the market, reminiscent of art deco styling. These began flooding accessory and specialty stores in 1991 and are now edging their way into discount department stores.

ShopKo, Salem, Ore., features an upgraded jewelry section *and offers costume as well as a wide range of 14kt gold and sterling silver jewelry.*
(DSN photo)

Two other areas of growth, both intertwined are children's jewelry and licensed jewelry.

"Beverly Hills 90210" necklaces were a hit with young girls. A spinoff show beginning soon may make way for "Melrose Place" necklaces for back-to-school.

Licenses are also prevalent in the watch category, where they transcend age. Mickey Mouse watches and Muppet watches only scratch the surface of available watch licenses.

One general watch trend has been in sport watches. Functional watches with timers and less complicated versions that still maintain that sportwatch look should continue to do well.

One challenge for the jewelry industry will be managing the increasing number of retail outlets, especially those that sell fine jewelry.

Mass merchandisers are well established as sellers of moderately priced 14-karat gold jewelry and brand name watches. Catalog showrooms, a leader in fine jewelry sales, are expected to maintain dominance in this category, despite the decline in the number of catalog showroom companies over the past several years.

Off-pricers offer some of the same brands alongside more expensive items ($1,000 Rolex watches, for instance). Membership warehouse outlets (which also don't shy away from $1,000 and above price points on such items as diamond pendants and watches) are also growing furiously, and they will be snaring a larger piece of the jewelry pie.

Cosmetics Dept. Gets a Lift From Improved Image, Strategy

Now that the majority of discounters have positioned the cosmetics department closer to the accessory areas, the category's image has been given a facelift.

Brand name marketing programs and displays which, in some cases, even rival upscale department stores, coupled with the introduction of new mass market brands are expected to help fuel category growth.

Without the cache of department store brand names, the broad selection of conventional drug chains or the pricing at deep discount drug stores, the challenge for full-line discount stores will be to find a formula of brand and price that entices its cosmetics consumer.

According to a study on consumer purchasing behavior conducted by MPSI/Retail System, Minneapolis, Minn., cosmetics were often the catalyst for longer shopping trips. Consumers shopping for cosmetics generally travel further to get what they need than when traveling to a retailer for other products.

That may be a big opportunity for discounters that carry the right products. During 1991, face makeup and lip makeup were termed "hot"

Cosmetics & Fragrances $1.6 Billion	
Full-Line Discounters	$1.0B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$0.6B[1]
Full-Line Discount Store Productivity	
Sales	$1.0B
Sales Per Store	$125,000
Dept. Size	1,000 Sq. Ft.
Sales Per Sq. Ft.	$125.00
Turns	2.5
Initial Markup	34.5%
Gross Margin	27.2%

[1] Includes off-price apparel chains, deep discount drug stores and other specialty discounters.

Source: DSN research

mass market products by A.C. Nielsen's study of the H&BC marketplace.

Manufacturers catering to the discount store marketplace have done their share of upgrading to foster new images.

Maybelline, for instance, created new packaging and labeling for its brand. The company also introduced Shades of You last year, the first major brand of ethnic cosmetics. Many discounters are using the brand within their regional merchandising programs, where there are large ethnic communities.

Fragrances are another category which has done well in the mass market. While the trend toward copy-cat colognes for the discount arena has died down, companies like Max Factor with its successful California brand and Quintessence with its new Caliente line will take advantage of brand recognition for sales at discounters during 1992.

Fragrances has been a tricky merchandise category, because many off-pricers have begun offering designer name perfumes in their stores. But this has done more to hurt department stores than discounters, where established mass market brands are sold, as well as some prestige brands, usually obtained through diverters.

This merchandise category is hot enough now that even chains like Kmart report they are looking into designer fragrances as a possible merchandise category in the future. A new display is already in place at many Kmart stores to better showcase the fragrance offerings. And, Wal-Mart also gives fits to full-price department store with its full-line of upscale brand name fragrances, said to be obtained through diverters.

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DISCOUNT INDUSTRY ANNUAL REPORT: PART II

At Discount, Men's Sportswear Collars Dollars

Discounters in the men's wear market are counting on casual sportswear to bring in the retail dollars. The coming year will likely see the men's wear category take two directions: a greater influx of casual coordinates that began showing up during 1991 and more emphasis on exclusivity.

Casual sportswear—like Levi's Dockers—has been developed by manufacturers such as Gitano, Reed st. James, MacGregor and Wrangler's Timber Creek division, and has already changed the look of men's wear at discount stores.

No longer just a place for jeans and work shirts, discounters are making a concerted fashion statement in men's.

In-store men's apparel shops, which Gitano and MacGregor aggressively marketed a few years ago, have given way to smaller fixtured and signed brand areas within a store which no do not overwhelm other fixtures.

Fashion exclusivity, once less important in men's than in women's, has extended into the male domain. With introductions planned for this fall, each of the top full-line discounters will have cornered a particular label.

Gitano, for instance, is customizing its AmeriCo line of men's casual separates for two of its largest accounts. While Kmart will feature the AmeriCo label; Gitano's casual offerings for Wal-Mart will be marketed under a different name.

Another move toward exclusivity has included tapping into already existing brands. Target Stores was among the first to bring established labels into its fold exclusively through brands such as Merona and Elliot Bay.

Now, Wal-Mart is banking on that strategy. The country's largest discount retailer has acquired exclusive licensing rights to the White Stag label, a division of Authentic Fitness, makers of Speedo swimwear. According to Warnaco, Authentic Fitness' parent, men's activewear and skiwear are the initial categories that will be sold at Wal-Mart under the White Stag name.

Until now, specialty stores and regional discounters pitted against Wal-Mart couldn't compete on most hard lines; but fought back with fashion apparel. The new efforts at Wal-Mart may change all that and further fuel the competition, especially in men's apparel.

During 1991, men's casual tops, shorts and underwear were the category leaders. That is likely to remain consistent in the coming months. Some minimal growth in the sweater area is expected, mostly for holiday. Industry watchers also predict that jeans, which began a modest comeback in 1991 (a 4.1% increase from a year earlier) will show more aggressive growth beginning in the fourth quarter.

As in boys' wear, sports licensed apparel did well. Manufacturers and discounters are continuing to capitalize on this trend. Discounters' shelves for fall may feature less screen-printed sports logos on T-shirts and more expensive details such as embroidery and appliques.

Men's suits remain an area of difficulty for discounters, although updated accessories have done well at various discounters.

Men's Wear $10.5 Billion	
Full-Line Discounters	$7.0B
Catalog Showrooms	—
Membership Warehouse	$0.3B
Specialty Discounters	$3.2B
Full-Line Discount Store Productivity	
Sales	$7.0B
Sales Per Store	$875,000
Dept. Size	6,500 Sq. Ft.
Sales Per Sq. Ft.	$134.62
Turns	4.3
Initial Markup	42.3%
Gross Margin	32.9%

Source: DSN research

***Target, Austin, Texas, emphasized casual apparel** in its men's department. The chain took advantage of the sports licensing craze.* (DSN photo)

Discounters' Kids' Wear Snares Market Share

Children's wear has again led the charge in the apparel category at discounters, which snare about 40% of total business in the market.

Discounters that began revamping the kids' department a year ago are now putting the finishing touches on the area.

Focusing on tried and true trends such as cotton basics and newer selling successes such as kids' accessories, discounters are beefing up their children's departments even more for 1992.

But while the share of market grows at discounters for children's wear, they are not necessarily leading the way in terms of the fashion trends in this apparel segment.

In fact, the past year was marked by fragmented trend stories, with still differing trends expected for the coming season. Denim is expected to make a back-to-school comeback. But basics are still the word of the day. They are, however, brighter.

One trend discounters picked up on was the success of The Gap and GapKids, specifically.

Specialty stores such as Kids "R" Us introduced Threads, a private label line of kids' basics designed to bridge the price between The Gap merchandise and the price mass merchandise shoppers are willing to spend.

Threads, tested in a number of Kids "R" Us stores, also made use of what can be termed Gap-like fixtures: wooden table displays and four-way hanging fixtures.

Full-line discounters got into that act as well with the help of manufacturers such as Gitano. Through its new Baby Gitano line, and then extended to its E.J. Gitano girls' line, the company introduced colorful basic T-shirts and, for toddlers, one-piece playsuits.

The 100% cotton fabric and "upscale" colorations such as mango use different matching colors on turned-up sleeves and collars to give an "updated basics" look in this line.

A trend The Gap began—basic silhouettes in new colorways—will likely continue.

Kmart is already making a play for that market. It is introducing its new B.E. private label line into the girls' area for this fall.

Target Stores, through its Everyday Hero specialty store concept, also went after The Gap atmosphere.

One downside in children's was the disappearance of a definitive licensing star. Last year was the first after a number of years of continued growth in licensed apparel that the licensing industry overall experienced a decline. With children a primary target for licensed merchandise, the decline was heavily felt in this category.

Of the licenses that did flourish, sports licenses were leaders, especially in the boys' area. The sports theme even influenced non-licensed goods. Baseball jersey styles sans logo are likely to be an after effect of the sports licensing craze.

Standards such as Disney and Muppets did well, but in the character licensing arena, sales remained fragmented.

Batman may change all that. Girls' merchandise based on the Catwoman character is adding a new dimension and audience to the license. In addition, a cartoon series beginning in the fall is positioned to continue to fuel sales long after "Batman Returns" is out of the theater.

There was one area in the children's category that mirrored what was happening in the ladies' department. That was the advent of accessories.

From handbags to hair clips, with both licensed and unlicensed merchandise, kids were getting a lot of attention.

Goody Products made headway with Barbie & Mickey hair accessories.

Regional retailers such as Jamesway took advantage of the phenomenon with displays of kid-size sportswear and fixtures highlighting caps, belts and sporty accessories.

Children's Apparel[1] $10.5 Billion	
Full-Line Discounters	$8.5B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$2.0B
Full-Line Discount Store Productivity	
Sales	$8.5B
Sales Per Store	$1,063,000
Dept. Size	8,500 Sq. Ft.
Sales Per Sq. Ft.	$125.00
Turns	4.7
Initial Markup	41.4%
Gross Margin	31.5%

[1] Children's Apparel includes boys', girls' and infants'.

Source: DSN research

Consumer Lifestyles Steer Housewares Market

Lifestyle merchandising—offering merchandise that reflects how customers spend their time as well as the types of merchandise they use within their homes—will continue to be a key buying decision tool for discounters in 1992.

The lifestyle factors will change with the ethnic composition of the United States, especially near metropolitan centers. An emerging demand for merchandise related to one's "roots" will color the food preparation and meal serveware choices of some discount shoppers. These ethnic influences are already being manifested in the foods section at some chains. For example, sales of salsa toppled ketchup last year. This revolution in America's eating habits is likely to pervade all aspects of home products.

The steady fall of department store chains is expected to present more and more opportunities in the housewares category for discounters, especially those with a customer base looking for trade-up lines. And, in 1992, as department store suppliers continue to see the decline of this market segment, these brands will not only find their way onto discounter shelves, but new energy will be devoted to the discount market segment, providing new product innovations.

The department store ailments will also allow discounters to maximize the gift potential of well-packaged and well-merchandised household basics and giftware. Many chains have been reporting increased sell-through during their holiday promotions, and the decline of department stores will only build on this trend.

Housewares $7.6 Billion	
Full-Line Discounters	$5.7B
Catalog Showrooms	$0.9 B
Membership Warehouse	$1.0B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$5.7B
Sales Per Store	$713,000
Dept. Size	3,500 Sq. Ft.
Sales Per Sq. Ft.	$203.57
Turns	3.5
Initial Markup	38.1%
Gross Margin	28.6%

Source: DSN research

Added space for snacks or even groceries at some chains will provide more cross-merchandising opportunities for housewares in 1992.

In 1992, non-electric housewares—including plastics, dinnerware, closet storage, ironing needs, cookware and other categories—will continue to be shaped by the "lifestyle" focus merchandisers adopted last year.

The lines of communication between soft home goods and hard home goods buyers intensified during 1991 to allow for better coordination of colors in bath accessories with towels, and in dinnerware and glasses with tablecloths and placemats.

The current year is likely to see more investigation of how to build add-on sales by simply coordinating merchandise colors across related home decor categories. Other categories which lend themselves to inclusion in broad based home decor themes include framed art, clocks, silk flowers/crafts and others.

Variations in the lifestyle composite picture of a chain's customer has prompted at least one large national chain to develop a specific color spectrum for the housewares department, even for goods that would not typically be thought of as "fashion" goods. At Wal-Mart its grand color scheme will embrace even "hot" custom-colored ironing board frames for the back to school season. While ironing board covers have had a fashion focus for years, offering colored frames is a new twist. The color story will pervade the housewares category during back-to-school.

Traffic Appliances $4.6 Billion	
Full-Line Discounters	$3.0B
Catalog Showrooms	$0.6B
Membership Warehouse	$1.0B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$3.0B
Sales Per Store	$375,000
Dept. Size	2,000 Sq. Ft.
Sales Per Sq. Ft.	$187.50
Turns	4.1
Initial Markup	24.5%
Gross Margin	15.4%

Source: DSN research

During 1991 Kmart and Target continued exploring private label housewares products ranging from traffic appliances at Kmart to Target's label tabletop, lighting, ready-to-assemble furniture and giftware.

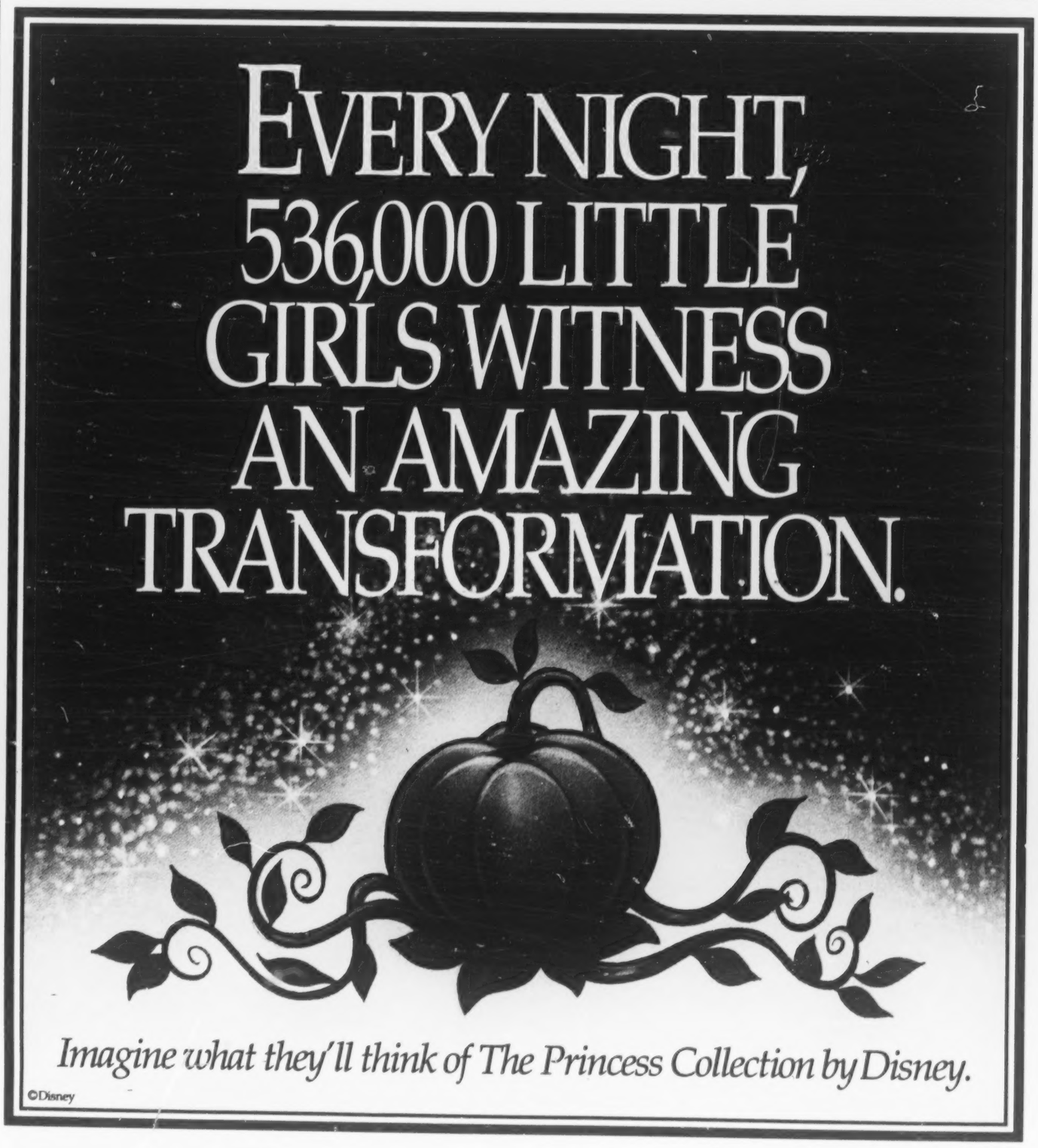
Numerous regional chains repositioned toward "core" departments last year, with housewares emerging as the backbone of the home products category, frequently wresting square footage from hard lines categories like automotives and sporting goods to create housewares as a destination center.

Shop concepts, most notably from Rubbermaid, were developed to put the spotlight on the department and its high-recognition brands. Another device for spotlighting brands was to use the brand logos on the walls of the store or department signs. Corning shops had been tested in Zellers stores in Canada and could be tested in the U.S. some time this year.

Traffic appliances—including everything from coffee pots to hair driers to microwave ovens and vacuum cleaners—are projected to achieve gross margins above 15%, on average, aided by new styles, functions and safety features.

Cooking appliances and tools for more "healthful" foods including woks, stove top grills and steamers had a good year in 1991, and juicers with prices for the mass market are this year's extension of the push for health.

A Venture unit in Des Moines, Iowa, *uses the high-recognition Rubbermaid logo to spotlight its housewares department.* (DSN photo)



Discounters Dominate Domestics Market Share

Due to a combination of the failure of large department stores, expansion of categories, and upscaling in both fashion and price point, discount stores are now the dominant channel of distribution in the area of domestics. This carries through virtually every major product category, with the exception of window treatments, which still find their way to market through specialty stores as a rule.

But in towels, bed linens, bedding, kitchen textiles, tabletop and most other home fashions categories, the full-line discounter is king, a trend that has led directly to the near-death of the Market Week system. Chain preference for partnerships with major mills has led to the type of close, ongoing relationships that make a twice a year showcase at very best redundant.

"I have my best customers in and out of here every few weeks," one manufacturer said. "Since they account for about two-thirds of my sales, I don't know why we even bother [with Market Week]."

Full-line discounters accounted for an estimated $5.1 billion in domestics sales last year, of an estimated industry volume of $16 billion. Membership warehouse clubs accounted for another $1 billion, and specialty discounters added another $2.6 billion. So well over half of all domestics sales were rung up at discount cash registers.

The market as a whole has been flat for several years, but discounters' share continues to grow. Even the recession, which caused retailers to cut back on inventory and even ship back unwanted merchandise, failed to slow the overall swing to discounters. The continued weakness of the department store and mass merchant categories favored discounters.

However, the recession did place a strain on margins for both vendors and retailers. Domestics is one of the most profitable areas in the discount store, with gross margins in the low 30s for many products. However, prices continue to drop precipitously for opening price point goods, and in some cases, retailers are virtually giving high volume, traffic-building items away.

Merchants are attempting to build profits back into the department by adding new products or categories (down comforters, area rugs, 100% cotton sheets), coordinating departments to stimulate high-margin accessory sales, and by reacting more quickly to fashion directions. Chains that used to be 18 months behind the fashion curve are now only 30 days to 90 days behind, which most feel is about right. The discounter doesn't want to be a fashion leader; "We don't want to be out front of our customer," one executive explained.

Generally speaking, Target has taken over the high fashion end of the discount spectrum, with Kmart running a close second. Wal-Mart, which is not nearly as fashion-forward as the other leading chains, nevertheless has the most productive departments, and is the leading domestics dealer in the industry.

But other discounters have not given up the fight. There is a growing trend to develop more effective merchandising through improved signage, interactive videos to illustrate coordination options, and most importantly, improved fixturing.

For years, discounters have sold home fashions on fixtures developed for and more appropriate to products like hammers and board games. ShopKo, Ames and Kmart are all testing more upmarket presentations, borrowing approaches favored by both department stores and upscale but off-price specialty chains like Bed, Bath & Beyond and Pacific Linens.

Long term, such experimentation is necessary, as the rapid growth rate in this channel of distribution is certain to slow in coming years. And, discounters are unhappy with the low turn rate in the category (less than two full turns a year), and better merchandising is seen as the answer. And, finally, the constant erosion in price means that retailers now have to sell, for example, two towels for every one they sold a few years ago to keep dollar volume steady. To grow, retailers will have to find ways to step the customer up to better quality, higher price point goods.

Domestics $8.7 Billion	
Full-Line Discounters	$5.1B
Catalog Showrooms	—
Membership Warehouse	$1.0B
Specialty Discounters	$2.6B
Full-Line Discount Store Productivity	
Sales	$5.1B
Sales Per Store	$638,000
Dept. Size	3,600 Sq. Ft.
Sales Per Sq. Ft.	$177.08
Turns	3.1
Initial Markup	42.1%
Gross Margin	32.2%

Source: DSN research

More Discounters Follow Wal-Mart's Lead in Crafts

Discounter's share of the crafts category is projected to continue its steady climb in 1992 as keen pricing by all discounters and acquisitions by discount specialty chains chip away at what was once an industry predominated by full-priced independent retailers and Wal-Mart.

Until recently, Wal-Mart was one of the few discount chains that continued to offer a full-line crafts and fabric department in most stores even when others had all but dropped the category, leaving the chain with a near monopoly of discount crafts in the markets it served.

The next year is likely to see a similar acquisition pace as the last 12 months: Fabri-Centers of America acquired 18-unit New York Fabrics of Pleasant Hill and the 10-unit Giltex Corp. House of Fabrics acquired both the Fabricland and Fabric King chains. Northwest Fabrics & Crafts acquired the Crafts & More chain from Ames with plans to rename them Rainbow Bay Crafts.

The rebirth of yarn crafts, silk flower arranging, fabric painting, and home decor related projects like stenciling and quilts, has prompted an aggressive move back into the crafts category by four retail segments.

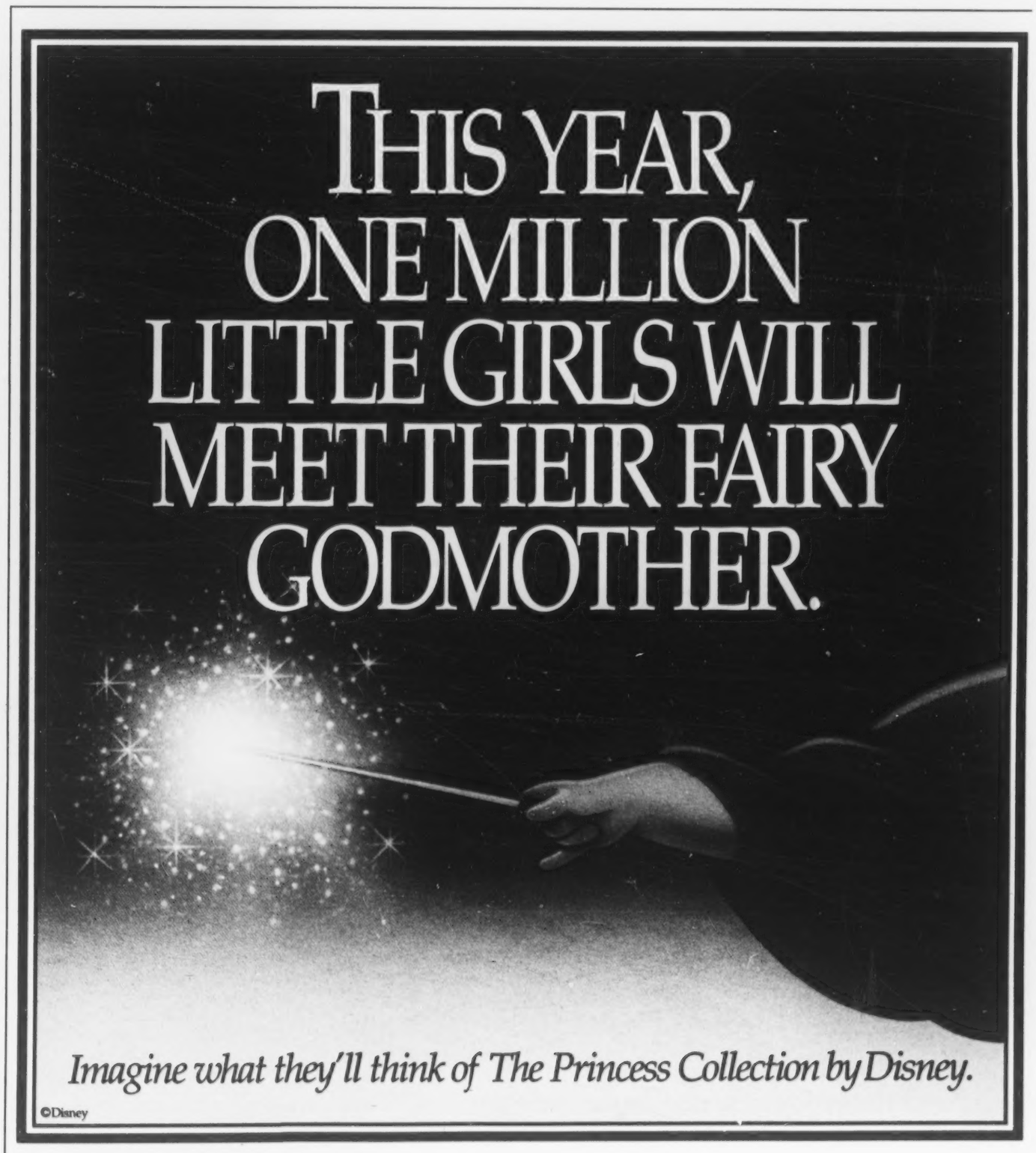
Full-line discounters like Jamesway and Ames, plus specialty discounters such as Michaels and variety chains like Ben Franklin are undoubtedly taking a few dollars out of Wal-Mart cash registers these days. And, lastly, home decor specialty chains like Myrtle Beach, S.C.-based Waccamaw, Jamesway's My House stores, Zellers' Linen's Etc. test store in Canada and a handful of similar chains are taking advantage of the synergies that exist between home goods and homemade home decor with the addition of silk flowers and other home decor/craft categories.

This year, many full-line discounters will be faced with the decision of whether to be in the crafts business or not. The sku-intensive category does not lend itself to dabblers, and some chains like

(Continued on page 71)

Crafts $4.7 Billion	
Full-Line Discounters	$2.5B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$2.2B
Full-Line Discount Store Productivity	
Sales	$2.5B
Sales Per Store	$313,000
Dept. Size	1,100 Sq. Ft.
Sales Per Sq. Ft.	$284.55
Turns	2.6
Initial Markup	41.9%
Gross Margin	33.8%

Source: DSN research



Chains Develop Strategies to Boost Photo Sales

Discounters are re-evaluating their stance in cameras, film and accessories as they attempt to grow their business in an essentially flat photo market.

Some, like Wal-Mart, are utilizing on-site film developing as the centerpiece of a cross-merchandising strategy designed to build sales in higher margin accessories and special formats. Others, like Roses, have scaled back their selection of higher end SLR cameras in favor of adding less expensive point-and-shoot models that turn quicker.

The vendor trend of extending fashion looks to formerly basic products like photo albums and frames is neatly playing into the first strategy; while consumers' acceptance of single-use cameras as more than just a vacation product is a strong argument for the second strategy.

The newest mini- and microlabs take up less space than ever before (thus boosting productivity per square foot) and apparently are inspiring additional purchases along with the quick film processing.

The list of discounters testing on-site labs of some kind (Noritsu, Fuji, Greytag are a few of the leading suppliers) includes Wal-Mart, Kmart and ShopKo. Warehouse clubs, as well, utilize on-site labs as an additional service department for their members.

Interestingly, on-site, one-hour developing business has not cannibalized revenues from discounters' traditional drop-off processing business. By installing the on-site labs, the retailers have raised the visibility of their processing services, so that more consumers think of these retailers when they have film that needs to be developed.

By making the department a focal point in its store, Wal-Mart and others have found an opportunity for cross-merchandising a wide range of ancillary products, including film, frames, batteries, and cameras. For example, a customer can drop off her film, do her household shopping and then return to pick up her prints, which are neatly packaged in a personalized photo album.

The extension of fashion to such basic products as photo albums is also showing up at more and more discounters. The plain brown-covered album, while still being sold, is being augmented by more fashionable covers with computer-generated fabric patterns and other distinctive looks. Wal-Mart is even selling photo albums with covers that match tabletop patterns sold in the store.

Another area in which fashion has made itself evident is in cameras. Neon colors and splatter paint designs proliferate among the low-end cameras sold by many discount chains.

Finally, single-use cameras have become the hottest selling area in the business. U.S. consumers purchased almost 15 million single-use cameras last year, an annual growth rate of 25% to 50% over the past four years. The addition of new, special features, such as panorama lenses, will likely create incremental sales of single-use products this year.

Looking to the future, the growing number of retirees should be a prime target of photography retailers. Now representing 12% of the primary shopping population, according to a recent study conducted for the International Mass Retail Association by Deloitte & Touche, retirees are one of the fastest growing segments of the U.S. population. Their "hot buttons" according to the survey include frequent sales and convenience.

On-site photo processing will appeal to this group because of their responsiveness to convenience. Discount stores should be very effective at drawing these consumers into their stores because they carry so many of the products they need, such as drugs and toiletries, greeting cards, specialty products geared to the mature consumer and pet supplies.

Photo[1] $3.6 Billion	
Full-Line Discounters	$2.9B
Catalog Showrooms	$0.3B
Membership Warehouse	$0.4B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$2.9B
Sales Per Store	$363,000
Dept. Size	450 Sq. Ft.
Sales Per Sq. Ft.	$805.56
Turns	3.7
Initial Markup	21.1%
Gross Margin	15.6%

[1] Photo department includes cameras, film and supplies

Source: DSN research

Retailers Build Upon RTA Furniture Sales

The ready to assemble furniture category at full-line discounters was bolstered by the soft economy last year, as more consumers decided to try their hand at putting together a new wood-look utility cart for about $99 rather than paying hundreds of dollars for a solid wood model that would do the same job.

Improvements in RTA style and its ease of assembly are expected to win over more consumers in 1992.

Full-line discounters took a two-pronged approach to the RTA category last year. Chains expanded their assortments of opening price-point basics in 1991: bookcases and basic storage cabinets in medium oak finish were being promoted at nearly giveaway prices. At the same time, high-styled, gross margin-makers like juvenile furniture, entertainment pieces with video storage, and bedroom furniture in black, white and detailed oaks comprised the balance of the RTA assortment.

The lifestyle furniture department—including RTA and other furniture like bean bag chairs, bar stools, and jewelry armoires—went through an expansion at Kmart, a downsizing at Rose's and a facelift at Venture (as part of their new prototype presentation.) Next year will bring new merchandising improvements as leading manufacturers offer display systems to maximize the selling area while adding POP that helps makes the sale.

The potential for selling better quality, partially assembled RTA will become apparent this year as membership warehouse clubs and discount-oriented furniture stores become more aggressive in the category.

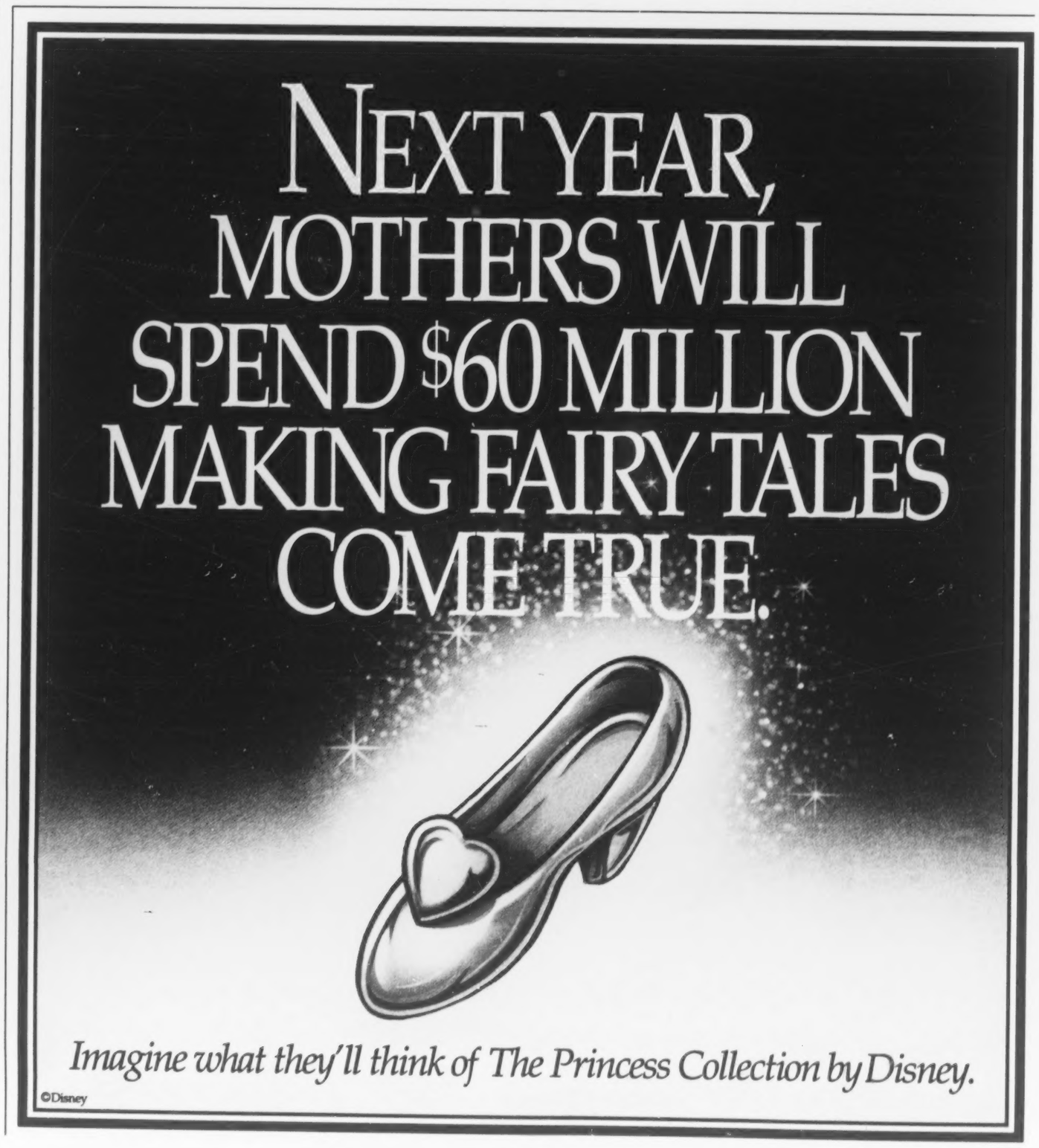
RTA Furniture $1.4 Billion	
Full-Line Discounters	$0.7B
Catalog Showrooms	$0.1B
Membership Warehouse	$0.2B
Specialty Discounters	$0.4B
Full-Line Discount Store Productivity	
Sales	$0.7B
Sales Per Store	$88,000
Dept. Size	500 Sq. Ft.
Sales Per Sq. Ft.	$175.00
Turns	NA
Initial Markup	NA
Gross Margin	NA

NA—Not available or not applicable

Source: DSN research

Catalog showrooms, despite their overall problems, continue to build their RTA business. RTA is a natural strength for catalogers since the format allows them to present fully accessorized room settings in both their stores and catalogs without needing to accommodate boxed stock like discount stores.

Chains like IKEA have turned out to be a mixed blessing for the category. When IKEA opened its first stores in the U.S., it was thought that the added spotlight on RTA would help discounters because consumers would become familiar with furniture assembled at home. But, until recently, IKEA had a hard time keeping its stores stocked. Customers were leaving empty-handed. The acquisition of the IKEA clone called STOR further burdened IKEA's supply lines. IKEA is working with U.S. manufacturers to help resolve the problem created by its heavy reliance on overseas suppliers.


NEXT YEAR, MOTHERS WILL SPEND $60 MILLION MAKING FAIRY TALES COME TRUE.
Imagine what they'll think of The Princess Collection by Disney.
©Disney

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discounters Go High-Tech With High-Ticket CE

Almost unnoticed—due to the high profile of consumer electronics specialty retailers, full-line discounters have quietly turned up the heat in the CE category.

Industrywide, discounters have upgraded their vendor mix, refixtured their departments, added state-of-the-art merchandising tools, and entered new, high-tech product niches.

The result, *DSN* estimates, will be yearly sales of $6.8 billion in 1992, with another $4.2 billion accounted for by warehouse clubs. That's $11 billion of a $32 billion industry moving through pure discount, low-service channels. Another $8.2 billion is sold through specialty discounters like Circuit City, and a bit over a half-billion is accounted for by the shrinking catalog showroom channel.

So, in 1992, about two-thirds of this industry moves through high-velocity discount channels.

And, unlike most specialty chains, discounters generally sell a preponderance of high-margin, low unit-cost accessories and software, which in turn generates high levels of profitability.

Until recently, discounters shied away from higher-end or high-tech products. The CE department tended to be heavy on no-name boom-

Consumer Electronics[1] $19.8 Billion	
Full-Line Discounters	$6.8B
Catalog Showrooms	$0.64B
Membership Warehouse	$4.2B
Specialty Discounters	$8.2B
Full-Line Discount Store Productivity	
Sales	$6.8B
Sales Per Store	$850,000
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$386.36
Turns	3.8
Initial Markup	26.2%
Gross Margin	17.5%

[1] Consumer Electronics includes records and tapes

Source: DSN research

boxes, low-power rack systems, and low-end calculators. But it's not uncommon now to find products like Sharp's Wizard, laptop computers, laser printers, big screen televisions, cellular telephones, CD players, and other relatively high-ticket items in the average department. The relative trickle of upmarket goods has become a flood in the past year.

At the most recent Consumer Electronics Show, vendors reported heavy interest from discounters in what used to be considered esoteric product areas.

Franklin's electronic Baseball Encyclopedia, for instance, will appear in full line discounters once production increases, and manufacturers of 486 computers reported favorable discussions with major discounters.

The business products category will be a major growth area in the future. While the low-service environment may suppress personal computer sales, the potential for business software, furniture, peripherals like printers and fax machines, accessories like diskettes and storage boxes, and a host of other products is great.

Prerecorded Video $1.9 Billion	
Full-Line Discounters	$1.0B
Catalog Showrooms	—
Membership Warehouse	—
Specialty Discounters	$0.9B
Full-Line Discount Store Productivity	
Sales	$1.0B
Sales Per Store	$125,000
Dept. Size	150 Sq. Ft.
Sales Per Sq. Ft.	$833.33
Turns	4.5
Initial Markup	NA
Gross Margin	24.9%

NA—Not available or not applicable

Source: DSN research

Wal-Mart, for instance, is adding a computer software wall in virtually all departments that will rival the selection at specialists like Office Depot and CompUSA.

That wall could be the forerunner of a fully integrated home office department that will leverage the chain's amazing traffic.

Wal-Mart and other discounters have already pushed to the forefront of the sell-through video market, selling an estimated $1 billion worth of tapes in the past year.

A key here was the decision by Disney to release hit catalog titles like "Fantasia" and "101 Dalmations" at prices appropriate for the mass market (as low as $15 per tape, after rebate, and in a few loss leader situations, as low as $12). That turned the category from a collector's market, with average price points of $89.95 keeping all but video fanatics out of the loop, to an impulse item.

Other producers followed Disney's lead, and movies that have barely left the theaters, like "Wayne's World," are already on their way to retail shelves.

Discounters have also shifted brands over the last two or three years.

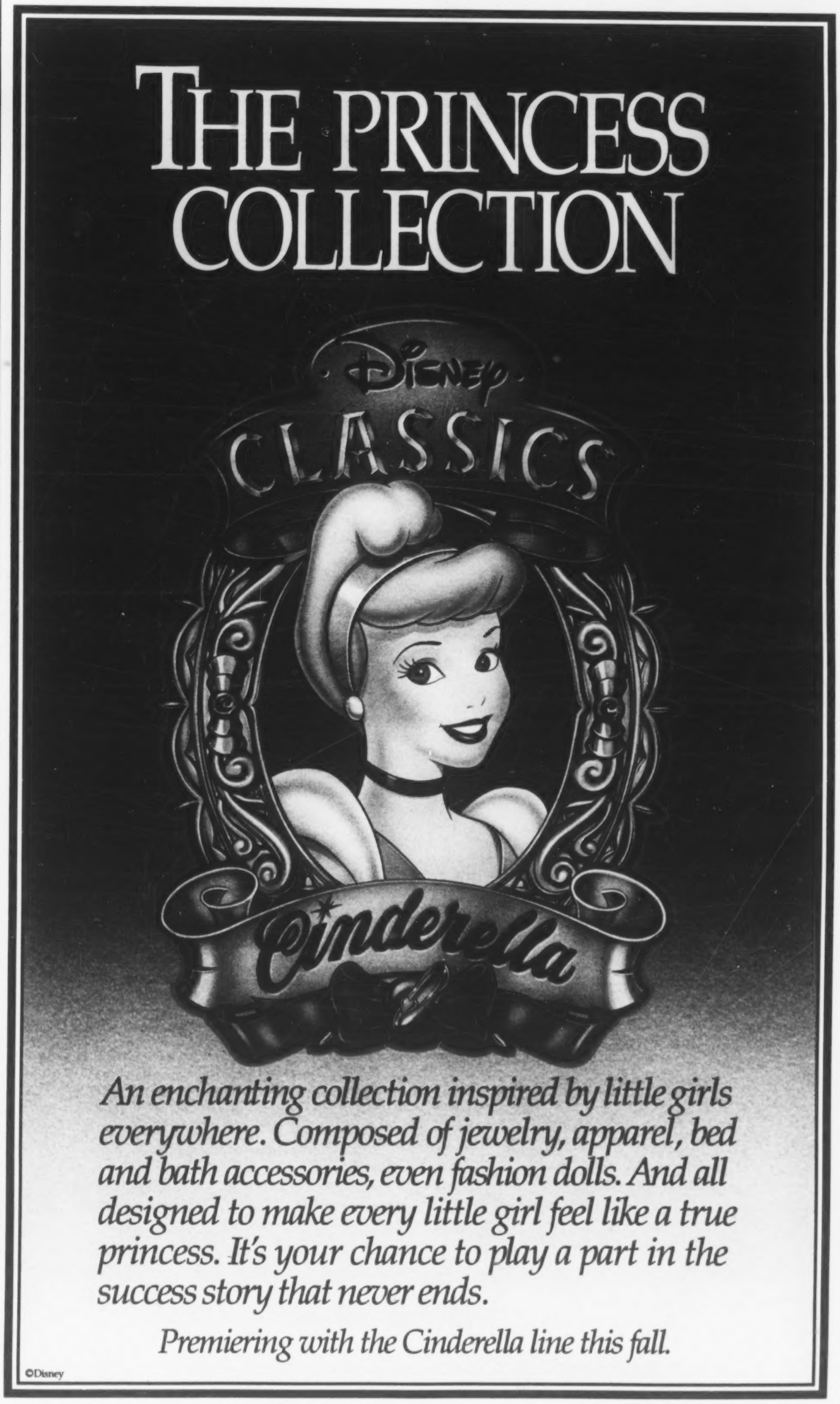
Previously, there were clearly established "discount brands," like Emerson and Yorx, that offered simple, easy-to-use and relatively low-performance goods at significant savings over higher-tech brands. For instance, Thomson would sell its lower-end CE goods to discounters, but not its more upmarket and desirable RCA brand.

Those days are over. The average discounter now stocks RCA, Sony, Panasonic, and a host of other high-profile brands that often were not available to them a few years ago.

The dollar potential of the channel is just too dominant to pass up anymore.

But to sell more expensive products, leading discounters have been forced to dial up both their merchandising

(Continued on page 71)


THE PRINCESS COLLECTION
Disney
CLASSICS
Cinderella
An enchanting collection inspired by little girls everywhere. Composed of jewelry, apparel, bed and bath accessories, even fashion dolls. And all designed to make every little girl feel like a true princess. It's your chance to play a part in the success story that never ends.
Premiering with the Cinderella line this fall.
©Disney

Fashion-Forward Goods Key to Stationery Sales

Aided by the explosive growth of office supplies and the large infusion of fashion-forward merchandise, back-to-school/home office stationery sales should total $3.2 billion this year at full-line discount department stores.

Although sales have been fairly flat during the recession, basic school items are projected to remain strong again this year so avenues of opportunity may be opening up for retailers as early as Back-To-School 1992.

In children's arts & crafts, an explosion of new products are being offered from such companies as Crayola, Merigold, a Western Publishing company, and Rose Art, among others.

Also, typically mundane areas like pens and pencils have been jolted by new ideas, including entries by Pentech, Empire Berol, and FaberCastell, which emphasize design and innovation in pencil barrels. Advances in pen technology, via such companies as Zebra, Parker, Sanford, Pentel and Plus Corp. of America, plus increasing use of multipacks and upscale school supplies—which appeal to a discerning customer and which return greater profits to sellers—are cropping up in greater numbers.

To make the highly competitive and profitable stationery department hum like a well-oiled machine, retailers also are inclined to cut back on sku growth and concentrate more heavily on high volume, fast turning items, particularly in office supplies, to help them better compete with the office superstores. Concentrating on up-to-the-minute designs, packaging, pricing and displays play heavily on retailers minds.

Apart from basic stationery products like writing tablets, memo books, copy paper, etc., consistently strong performers in the stationery category continue to be fashionable designs and licensed products, which provide added value to many tried-and-true items.

What hasn't caught on yet despite valiant efforts by both manufacturers and retailers are recycled goods.

Consumers still appear unwilling to purchase recycled paper products that they perceive to be lower in quality and higher in price than virgin paper.

As the technology advances, however, a greater acceptance of recycled goods is likely, said Mike Sherb, marketing manager at Union Camp, school supplies and stationery division.

Noted Sherb: "The retailer wants to commit to this but the sell-through isn't there."

However, new products continue to hit the market in a relentless effort to bring consumers along the conservation path. Each of the major paper producers have recycled lines and are extending their programs. One such program, Save The Pond by Mead, is a line of recycled school supplies that feature the lovable Muppets offering environmental tips.

According to The Licensing Letter, retail sales of licensed merchandise based on characters totaled $12.4 billion in 1991, down slightly from 1990, but still 20% of the industry's $63.5 billion total.

Further, 10% of publishing/stationery sales at retail is linked to licensed merchandise, greater than for sporting goods, health & beauty care, food/beverages and electronics/software, and just a hair smaller than toys/games (12%) and home furnishings/housewares (11%), according to TLL.

In some categories, however, publishing/stationery is a leading avenue for licensed products. Among them are:

- Products based on television properties, 25% of the $1.5 billion in sales last year;
- Licensed merchandise based on film properties, 17%, based on $2.1 billion in sales;
- Stationery based on sports properties 16% of $11.1 billion.

Licensed goods are just one way that sellers offer higher value items. Others include exclusive art (Lisa Frank), coordinated design programs stretched over a variety of products, and innovative design, among others.

For example, Mead's Five Star First Gear line of school supplies and accessories includes such items as backpacks and three-ring binders with storage pockets. Another of its lines, Vision Point, matches its holographic cover designs on notebooks with cases by W.T. Rogers.

This year's back-to-school season will be full of psychedelic designs (Stuart Hall's Fractals and mirror chrome covers by US Kids) and bright neons in items as diverse as clipboards (Saunders, S&W Products and Decorator House) fax and copy paper (Royal Lace).

Melding office supplies to meet specific consumer needs has begun to appear in the form of Stuart Hall's new Executive Suite. This is a line of office supplies designed for the professional woman with soft pastel covers on such items as address books, memo pads, personal notebooks and quad rule notebooks.

Stationery[1] $10.0 Billion	
Full-Line Discounters	$3.2B
Catalog Showrooms	—
Membership Warehouse	$5.2B
Specialty Discounters	$1.6[2]
Full-Line Discount Store Productivity	
Sales	$3.2B
Sales Per Store	$400,000
Dept. Size	2,200 Sq. Ft.
Sales Per Sq. Ft.	$181.82
Turns	3.4
Initial Markup	44.8%
Gross Margin	41.2%

[1]Stationery includes office supplies and greeting cards
[2]Includes office supply discounters
Source: DSN research

Overall, *DSN* estimates that stationery products continue to be among a store's most profitable departments.

With gross margins at 41.2%, stationery—including office supplies and greeting cards—earns the highest margins in a discount department store except for jewelry (43.9%).

While many individual retailers may claim turns above four per year, on the whole *DSN* estimates discounters in general get 3.4 turns each year in the stationery department, and annual sales per sq. ft. of $181.82. On the surface, the sales per sq. ft. number may not sound impressive—but individual items often sell for less than $1.

Discounters Go High-Tech With High-Ticket CE Items

(Continued from page 69)

and their service levels. Most now have manned departments, and have introduced expanded music selections and better display techniques to build up consumer excitement. Ames, for instance, is testing the PIC interactive video music kiosk, which at the touch of a screen plays a 30-second clip of the video from a new music release.

Kmart has recently tested a Sharp projection television in some of its newer stores, but more as a "statement" than as an attempt to create significant sales. Still, the amount of high technology finding its way onto discounter shelves is impressive. Price points of products that would have been prohibitively expensive just a few years ago, like printers, 35mm cameras, camcorders, video game systems, and many more, have now receded to the point that consumers can comfortably afford them without special credit arrangements, a long time advantage for competitors like Sears, Ward and many superstores.

SONY
SONY
SONY

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Aging Population Puts New Spin on H&BC

Consumers are increasingly shopping mass merchandisers for their health and beauty care needs.

The market share for mass merchandisers has been rising steadily in the last few years and will likely continue to do so in the coming year.

Both large chains like Kmart and smaller regional retailers such as Jamesway are working on growing their H&BC sections.

Changing demographics, particularly the general aging of the American population, will probably be one of the strongest influences in the merchandise selection and promotional strategies at discounter H&BC departments in the years ahead.

There are already signs, confirmed by retail dollar sales, that the older consumer is shopping for H&BC differently.

Face creams, lotions and moisturizers were one of the leading products in the category for 1991. In addition, sun protection products that, along with protection from sunburn also help to delay the sun's aging process, were also a huge category at retail.

In fact, these types of products are increasingly part of the beauty routine with cosmetics. At chains such as Kmart, efforts are being made to display these items closer together.

Hair care products, particularly coloring kits may also benefit from an aging, and graying, population.

Another sign that this change in demographics is influencing the department is the advent of home health care products. Jamesway, Secaucus, N.J., was one of the first to prominently feature the new Cane & Able line of home care products.

The new Jamesway prototype, in Claymont, Del., featured items such as tub bars and clamps, magnifying glasses and jar openers for an older or disabled user.

On the other end of the spectrum, children are an important market segment for H&BC items. This has been fueled primarily by licensing opportunities. The latest to join the fold is Batman, which Tsumura International is marketing under its Kid Care label of bubble bath and mini soaps.

Another pertinent fact about the children's market: the rising birth rate.

With more than 4 million babies born in 1991, retailers can expect to sell plenty of diapers, baby lotions, sun screens, powder and other accessories.

In conjunction with the birth rate surge are higher sales of early pregnancy tests, a product category which was named as one of A.C. Nielsen's "hot" sellers list for the mass market.

These new parents are also more aware of the harmful effects of too many chemicals and may be the prime age group that will sustain a steady increase in environmentally safe products.

Jamesway's new prototype *located in Claymont, Del., features a display of Cane & Able home care products for the older or disabled consumer.* (DSN photos)

Procter & Gamble recently announced that it would replace all its standard Pampers and Luvs brands of diapers with newer ultra-absorbent versions. The new diapers use much less material, according to P&G. The significant thing about this development is that P&G is actually replacing the diapers it has in stores now. The new versions will be at retailers starting this fall.

Del Laboratories' Naturistics line is already featured in a bold display in a number of discount stores.

Brands such as Fruit of the Earth and Natural Glo may gain momentum as the idea of an environmentally safe beauty regimen becomes standard.

As mass merchandisers do more micro-marketing, other important target areas also become profit niches if treated correctly. Ethnic cosmetics and hair care products, for instance, are being emphasized by a number of major manufacturers. Last year, Maybelline became one among the first mainstream, volume cosmetic manufacturers to introduce a line of cosmetics for the ethnic customer.

In H&BC, particularly hair care products, brands such as Soft Sheen and Dark & Lovely are doing well.

Over-the-counter drugs are another hot item for mass merchandisers. As many prescription items are approved for OTC sales, many discounters find they compete well on price with conventional drug stores.

In fact, it is one of the advantages of Kmart's reorganization of its H&BC division. With both pharmacy and H&BC under one buying division, the chain can react quickly in a fast-changing prescription market.

The two largest full-line discount stores, Kmart and Wal-Mart, have each made significant inroads towards increasing the number of pharmacy departments in their stores.

According to A.C. Nielsen's study of the mass market H&BC area, the number of prescription departments in the mass market actually declined in the first half of 1991. However, this was due to a myriad of store consolidations.

With expansion for pharmacy planned for both Wal-Mart and Kmart, the number of departments will probably rise significantly during 1992.

H&BC is another retail category that may have a shakeout as new retail formats grow. Full-line discounters may find they have more competition in the marketplace. They have more than just traditional drug stores to consider.

More apparel off-price stores are getting into the act offering not just cosmetics, but lotions and moisturizers as well.

Deep discount drug stores, including hard-to-define hybrid formats like Phar-Mor, are taking a bite out of both conventional drug outlets and mass merchandisers.

The latest challenge is the membership warehouse. Some commodity items such as feminine hygiene products, aspirin and shampoo do very well in the clubs in their distinctive mega-size packages.

Discounters' challenge is to find a way to capture consumer H&BC dollars while fending off these other growing retail formats.

The challenge faced by most discounters *like Jamesway is trying to fend off other growing retail formats while still capturing consumer's H&BC dollars.*

Pharmacy $3.6 Billion	
Full-Line Discounters	$2.75B
Catalog Showrooms	—
Membership Warehouse	$0.7B
Specialty Discounters	$0.2B[1]
Full-Line Discount Store Productivity	
Sales	$2.75B
Sales Per Store	$344,000
Dept. Size	600 Sq. Ft.
Sales Per Sq. Ft.	$572.92
Turns	NA
Initial Markup	NA
Gross Margin	NA

[1] Includes deep discount drug stores
NA—Not available or not applicable
Source: DSN research

Health & Beauty Care $10.2 Billion	
Full-Line Discounters	$6.2B
Catalog Showrooms	—
Membership Warehouse	$1.7B
Specialty Discounters	$2.3B[1]
Full-Line Discount Store Productivity	
Sales	$6.2B
Sales Per Store	$775,000
Dept. Size	2,400 Sq. Ft.
Sales Per Sq. Ft.	$322.92
Turns	5.4
Initial Markup	20.8%
Gross Margin	16.1%

[1] Includes deep discount drug stores and other specialty discounters
Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Numbers Paint Upbeat Picture of '92 Toy Sales

With the help of such products as trolls, Barbie and high pressure water guns, the toy industry is hopeful sales in 1992 will surpass 1990 and 1991 levels.

Some early reports from both manufacturers and retailers alike paint a more optimistic picture than last year at this time. Also, last February's Toy Fair was more upbeat than the 1991 event, leading many participants to predict good toy sales this year.

Already, Mattel and numerous discount retailers have reported that this year's Barbie offerings are a hit, especially Totally Hair Barbie. Laramie and others producing high-pressure water toys are ringing up record sales despite a few isolated incidents of violence stemming from them. Trolls, those whimsical creatures with brightly-colored hair—now clothed as opposed to 30 years ago when they were always sold naked—are super hot at many price points. And 16-bit video games are reportedly good sellers wherever they are offered.

Unfortunately, in the midst of the upbeat news about specific toy items is the near collapse of the specialty toy retailer segment, which is in the process of losing another player.

Child World, on the ropes with its Chapter 11 bankruptcy filing, is trying to merge itself into the Lionel Kiddie City operation, which also is in Chapter 11. Should Child World's efforts fail, the now greatly streamlined retailer would be forced to liquidate. Lionel seems to be in a better financial position, as it has secured working capital from its banks.

The obvious victor in this sector is the giant, Toys "R" Us. However, the weak national economy in its second year of recession has not left Toys "R" Us entirely untarnished. Also, last Christmas' drastic price-cutting campaign and inventory clearance program at Child World caused profits to erode at the No. 1 toy chain.

No. 2 toy chain, Kay Bee, squeezed between the big and the small, produced erratic earnings growth over the past few years. Reliance on mall traffic, where most of its stores are located, also has proved troublesome during this recession. Growth at this chain will doubtless come from further developing its freestanding Toy Works division.

Assuming even greater dominance in the toy business are discount retailers, particularly Wal-Mart and Kmart.

In fact, toy sales through Wal-Mart discount department stores were estimated to be 10.2% of total industry sales in 1991, up from 8.4% in 1990, according to various industry sources.

In fact, Port Washington, N.Y.-based The NPD Group's Toy Market Index, which ranked the top 20 retail outlets for toys, which accounted for 65.7% of all toy sales last year, reported that Toys "R" Us led the way with a 19% share in sales, up from 17.8% in 1990.

Kmart, with a 7.1% share of the toy business, lost market share in 1991, according to reports. In 1990, Kmart rang up 7.6% of toy industry sales.

In all, discount store retailers accounted for 11 of the top 20 toy outlets in 1991.

After Toys "R" Us, Wal-Mart and Kmart, market share for 1991 broke down as follows:

- Target, 4.9% share in 1991, up from 4.4% in 1990;
- Kay Bee, 4.6%, up from 3.9%;
- Child World, 3.2%, down from 4.6%;
- Sears, 2.4%, down from 2.5%;
- Service Merchandise, 1.8%, down from 2.2%;
- Lionel Kiddie City, 1.7%, down from 1.9%;
- Hills, 1.5%, down from 1.9%;
- Ames, 1.4%, down from 1.9%;
- JCPenney, 1.3%, down from 1.6%;
- Radio Shack, 1.0%, unchanged;
- Bradlees, 0.9%, unchanged;
- Caldor, 0.8%, up from 0.7%;
- ShopKo, 0.8%, down from 0.9%;
- Best Products, 0.8%, unchanged;
- Venture, 0.8%, unchanged;
- Meijer, 0.8%, down from 0.9%;
- U.S. Military Stores, 0.7%, up from 0.4%.

These market share results for 1991, like the 1992 sales and profitability projections made by *DSN*, include sales of video games. *DSN*'s projections also include sales of bicycles.

This year, *DSN* is projecting toy sales through full-line discount department stores to total $5 billion, or one-third of all toy sales at both discount and full-priced retailers.

In general, the average discount department store maintains a 3,000 sq.-ft. toy department during the peak selling season, jammed with as many of the TV-advertised toys as can be crammed onto the shelves.

As a result, sales per store in 1992 is forecasted to be $625,000. Annual sales per sq. ft. of space in 1992 is projected to reach $208.33, greater than 16 of the 26 specific merchandise categories evaluated in this report.

Annual turns, because of the seasonal nature of the toy business, fall a bit to 19th place, ahead of only cosmetics and fragrances, jewelry, crafts, lawn & garden, hardware, sporting goods, and tying with domestics, at 3.1 turns in 1992.

Initial markup on toys is 31.2%. Discount department stores, however, apply gross margins of about 23.7%, a necessity in the everyday low price philosophy of the industry.

Toys[1] $11.2 Billion	
Full-Line Discounters	$5.0B
Catalog Showrooms	$0.3B
Membership Warehouse	$0.3B
Specialty Discounters	$5.6B
Full-Line Discount Store Productivity	
Sales	$5.0B
Sales Per Store	$625,000
Dept. Size	3,000 Sq. Ft.
Sales Per Sq. Ft.	$208.33
Turns	3.1
Initial Markup	31.2%
Gross Margin	23.7%

[1] Toys includes wheel goods and video games

Source: DSN research

Juvenile Products[1] $2.6 Billion	
Full-Line Discounters	$0.8B
Catalog Showrooms	$0.4B
Membership Warehouse	$0.7B
Specialty Discounters	$0.7B
Full-Line Discount Store Productivity	
Sales	$0.8B
Sales Per Store	$100,000
Dept. Size	1,000 Sq. Ft.
Sales Per Sq. Ft.	$100.00
Turns	3.8
Initial Markup	33.1%
Gross Margin	25.4%

[1] Juvenile products include furnishings, car seats, strollers and baby needs

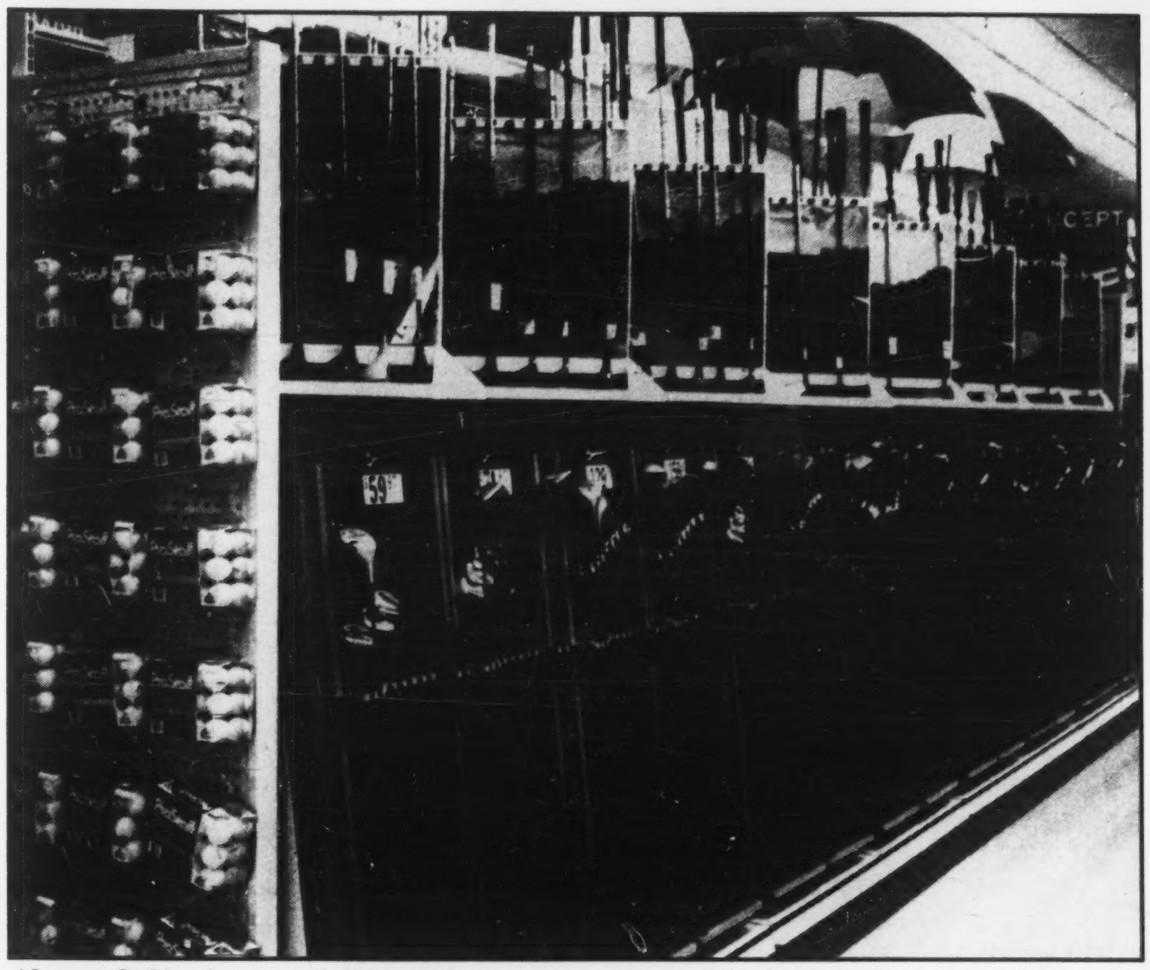
Source: DSN research

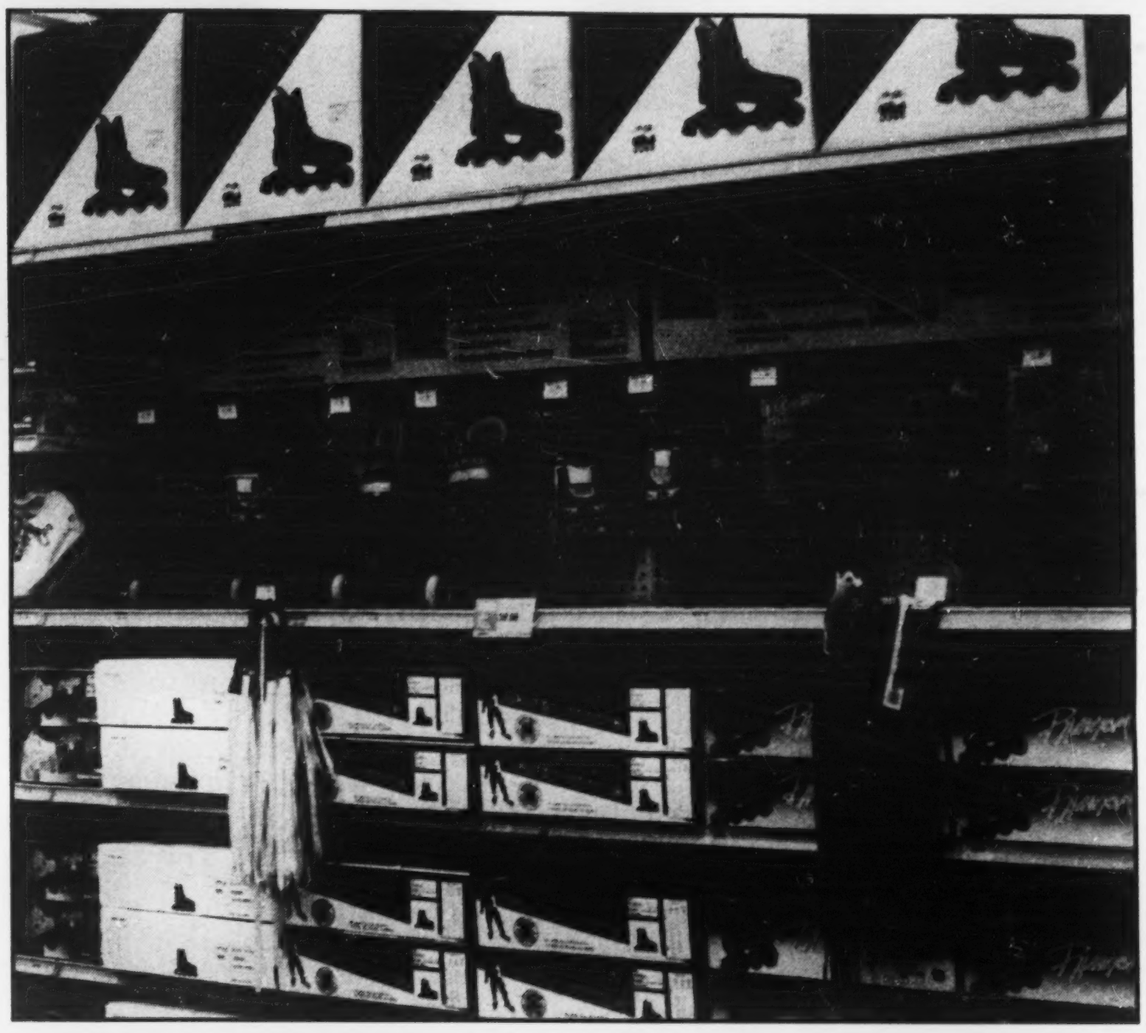
Video games, for years strong sellers *at discounters, are getting a boost with the new 16-bit format, now popular step-up items for 8-bit afficionados.* (DSN photos)

Battery-operated and foot-powered vehicles *are popular items with youngsters, but sales have suffered in the recession.*

Wal-Mart's Turnersville, N.J., store, *opened last fall, features individual signs with full descriptions of each bike on display.*

DISCOUNT INDUSTRY ANNUAL REPORT: PART II





Above: Golf sales are rising, *with increases expected for both equipment and apparel. Right: In-line skate headquarters at Venture illustrate growth of this category.* (DSN photos)

In-Line Skates, Street Hockey Puck Hot Sellers

Licensed apparel continues to be one of the three hottest categories in sporting goods. Any jacket, sweatshirt, T-shirt or cap with a local college or professional team logo on it is selling strongly

In-line skates will be the star performer in sporting goods this year in terms of sales growth, as industry sources predict sales of this product to rise 40% in 1992.

About 1.7 million Americans skated on in-line skates at least 25 days in 1991, according to the Sporting Goods Manufacturers Association. The growth rate for in-line skates—pioneered by Rollerblade—is four times that of the 4% projected growth rate for sporting goods equipment overall through all retail channels.

Including apparel and athletic shoes, total sales also will gain 4% in 1992, said the SGMA. Excluding apparel and shoes, *DSN* projects that discount sales of sporting goods will total $7 billion in 1992, with the greatest percentage of sales (54%) going through discount department stores. Specialty sporting goods retailers will account for about 33% of total discount sporting goods sales this year.

The boom in in-line skate sales has also generated additional add-on sales of protective gear, knee and elbow pads and helmets, that can cost more than the skates themselves.

Archery and soccer also will produce solid results in '92. Total sales of archery equipment will increase 25% this year, while soccer, which requires little equipment save for balls, goals and shin pads, will increase 9%.

A new category that discounters dominate, water sport shoes, should produce a 24% gain in sales.

In apparel, sales of golf, downhill skiing and tennis clothing are expected to grow more than twice as fast as the equipment for the respective sports. That suggests a great deal of cross selling to those who want to look the part, even if they spend little time on the golf course, tennis court or ski slope.

Sales of golfing apparel will rise 10% while golf equipment sales will gain 3%.

Sales of downhill skiing apparel will increase 8%, compared to 2% for equipment. Sales of tennis togs will gain 7%, compared to 4% for rackets and balls.

Licensed apparel continues to be one of the three hottest categories in sporting goods. Any jacket, sweatshirt T-shirt or cap with a local college or professional team logo on it is selling strongly.

Franklin Sporting Goods is even licensing its street hockey gear through the National Hockey League.

In new equipment, a street hockey puck from Sun Hockey called the Hot Puck appears to be selling strongly and will make its formal debut at the 1992 show next month at the National Sporting Goods Association. The Hot Puck features tiny wheels that the manufacturer claims "turns concrete into ice."

In terms of dollar volume, exercise equipment will be the bully on the block in '92, with a 6% gain.

Within the category, stair climbers, cross country skiers and treadmills showed the strongest percentage gains in terms of frequent participants over the past three years.

Stair climbers came out of nowhere to produce a 741% gain from 1988 to 1991. Some 2.6 million Americans exercised on them at least 100 days in 1991. The use of cross-country skis grew 167% in the same three years, with 900,000 frequent users,and treadmill exercise grew 126% with two million users.

In total, the SGMA estimates that 43.4 million Americans engaged in fitness activities at least 100 days out of 1991. Female participants outnumbered males 22.3 million to 21.7 million.

Wilson also got into the exercise field by licensing its name for a line of pricey home exercise equipment.

Flex gyms continue in popularity because of their relatively light weight and low price, in comparison to weight stack gyms. As examples of new flex gyms to hit the market, CSA introduced this year two new licensed flex gyms from Gold's Gym that will retail for $299 and $499. In comparison, its weight stack gyms, part of a complete line of licensed exercise equipment from Gold's are intended to retail for $499 and $599.

Sporting Goods $7.0 Billion	
Full-Line Discounters	$3.8B
Catalog Showrooms	$0.2B
Membership Warehouse	$0.7B
Specialty Discounters	$2.3B
Full-Line Discount Store Productivity	
Sales	$3.8B
Sales Per Store	$475,000
Dept. Size	2,550 Sq. Ft.
Sales Per Sq. Ft.	$186.27
Turns	2.6
Initial Markup	33.1%
Gross Margin	24.8%

Source: DSN research

Chains Shift Gears to Counter Automotives Decline

With its share of the total automotive parts and accessories retail market forecasted to dip to 21% by 1995 from 24% last year, the discount store industry is turning to computerized parts kiosks and warehouse-style displays in an attempt to counter the decline.

Adding to the urgency is the lack of substantive growth—if not outright decline—in the do-it-yourself market and slim margins for retailers in the face of continued price competition.

In a bid to keep customers from wandering over to the nearest auto parts store clerk for help, Wal-Mart has completed the rollout to all 1,750 stores of a computerized kiosk that makes it easy for customers to call up parts numbers for all parts Wal-Mart stocks.

In addition, the kiosk is intended to boost add-on sales by suggesting cross merchandising parts, such as a PVC valve when a customer punches up an oil filter on the computer screen.

A printer spits out a paper record of parts numbers, both requested and suggested.

Its Sam's Club division also uses an electronic kiosk to answer customers' questions about which size battery or tire they need for their cars.

AC/Delco has developed a parts kiosk just for the ignition parts and batteries it makes, and B.J.'s Wholesale Club is the first discounter to begin testing it. Target also is said to be interested in trying out the AC/Delco kiosk in light of favorable reports coming out of a test in Trak Auto Parts stores.

Automotives $12.8 Billion	
Full-Line Discounters	$5.6B
Catalog Showrooms	$0.1B
Membership Warehouse	$1.7B
Specialty Discounters	$5.4B
Full-Line Discount Store Productivity	
Sales	$5.6B
Sales Per Store	$700,000
Dept. Size	2,100 Sq. Ft.
Sales Per Sq. Ft.	$333.33
Turns	3.3
Initial Markup	29.2%
Gross Margin	21.4%

Source: DSN research

Kmart's five-store test of an automotives kiosk provides a computer bank listing all parts the chain carries, as well as current prices.

In another automotives merchandising move, Pep Boys is trying to capitalize on the popularity of warehouse clubs by switching to a new prototype that lends a warehouse look to its conventional-size stores at minimal cost.

The new look features unfinished concrete floors and unfinished ceilings, making the stores appear larger. The new prototype virtually eliminates backroom storage, leading to more massive presentation of tires in warehouse racking and the bulking out of cased goods on the sales floor.

Warehouse merchandising of automotives got another vote of confidence when Auto Source, the warehouse store chain that Canadian Tire launched in Indianapolis last year with three stores, opened three more units this year. Auto Source is looking for 12 to 15 more units of 47,000 sq. ft. in '93.

But not all automotives specialty chains are running smoothly. Auto Giant and Auto Club, two other warehouse auto stores, both have declared Chapter 11 bankruptcy. Auto Depot closed its single unit in Sacramento, Calif., while Auto Giant closed one of three units.

In a branded tire merchandising move, Kmart took on a line of Michelin tires developed exclusively for the discount store industry, as well as Kelly-Springfield tires. Michelin controls Kelly-Springfield through its ownership of its parent, Goodyear Tire & Rubber.

To keep customers from wandering to the nearest auto parts store clerk for help, Wal-Mart has completed the rollout of a computerized kiosk that makes it easy for customers to call up numbers for all parts it stocks.

To expand its tire offerings, Wal-Mart took on Douglas, a budget brand of Kelly-Springfield. And Sam's Club was the first in the wholesale club industry to take on a special line of Michelin tires developed exclusively for clubs.

Big Three Discounters Each Take a Different Hardware Tack

Discounting's Big Three chains are taking widely divergent paths in hardware/home improvement merchandising.

The biggest hardware development in discounting to look for in 1992 will be Wal-Mart's continued introduction of a complete line of private label hardware marketed under the name Popular Mechanics.

Under an exclusive licensing agreement with *Popular Mechanics*, a Hearst magazine that is a bible to serious home and auto repair buffs, Wal-Mart will introduce over a two-year span hundreds of skus, including: mechanics hand tools, tool boxes, vices, hammers, work belts, aprons, nails, nuts, bolts, extension cords, small electrical supplies such as switches, receptacles and wall plates, and plumbing supplies such as toilet balances and faucet repair parts.

The licensed line replaces an abortive attempt to develop a new private label brand name from scratch, called Promark. The Promark name appeared on a short-lived line on 11 skus of mechanic hand tools, including wrenches and screwdrivers.

Wal-Mart is shipping Popular Mechanics handtools as the discontinued Promark items sell through.

The Popular Mechanics line comes with two built-in advantages: a name well-known among the 1.6 million subscribers to the 90-year-old magazine and a testing program.

To protect its image, *Popular Mechanics* is requiring Wal-Mart to submit for testing every hardware item that will carry its name.

The first items submitted for testing by the magazine's independent laboratory were mechanics hand tools. They were tested against Sears' Craftsman private label line and performed as well. Other hardware items, such as toilet repair parts, performed properly for their intended use, although no nationally known brands were available for direct comparison.

As do Craftsman tools, Wal-Mart's Popular Mechanics tools carry a lifetime guarantee, but cost about half as much.

To make sure its customers get the point, Wal-Mart began carrying the *Popular Mechanics* magazine this spring at about a 20% discount from its $1.95 price.

Hardware[1] $13.6 Billion	
Full-Line Discounters	$3.8B
Catalog Showrooms	$0.1B
Membership Warehouse	$1.4B
Specialty Discounters	$8.3B[2]
Full-Line Discount Store Productivity	
Sales	$3.8B
Sales Per Store	$475,000
Dept. Size	3,000 Sq. Ft.
Sales Per Sq. Ft.	$158.33
Turns	2.6
Initial Markup	35.2%
Gross Margin	27.8%

[1] Hardware includes paints, tools, and home improvement
[2] Includes home center warehouses and other home improvement discounters

Source: DSN research

At least for now, the Popular Mechanics line won't include either paint or power tools. In paint, Wal-Mart has switched to brand names, such as Glidden in about half its stores and Dutch Boy Kem-Tone in the other half.

As a control, however, it continues to carry its Wal-Mart brand private label paint in about 200 stores.

Rather than take as profits the higher margins from its expanding offerings of private label goods, Wal-Mart will use them to subsidize the prices of nationally branded goods, further enhancing its image as the lowest priced merchandiser of national brands, one analyst predicts.

Kmart also has made a major decision in the hardware and home repair products arena: shutting its 327 instore Home Centers when it remodeled or relocated existing stores.

In a corporate policy decision, the space once devoted to home center merchandise, such as storm doors and insulation, was given to other departments.

The stores that had home centers lost 40% to 60% of the space devoted to hardware and home repair lines, but the space that was devoted to hardware remained unchanged for the other remodeled units.

But chainwide, Kmart pared down its assortment of slower-moving skus in hardware, which enjoys at best only 2.6 turns in the discount store industry, and got out of some fringe lines of hardware.

Kmart also totally redid its paint program, eliminating private label paint and switching to all national brands. It now calls its paint department, "America's Paint Store."

In a major vendor consolidation, Kmart gave all its lighting business to Catalina since last year, whereas it previously sourced from five vendors.

Taking up the home center slack, Builders Square introduced earlier this month a new 125,500-sq.-ft. prototype named Builders Square II in the Sawgrass Mills off-price outlet mall in Sunrise, Fla. The new prototype also houses the Idea Center, an upgraded version of its Decor Center.

Target, in contrast, in its Greatland concept store continues to trim its hardware selection to the bare essentials necessary for the simplest of home repair projects. In a Greatland, shoppers are apt to miss the hardware department completely if they blink when strolling past.

Most discounters are taking the Target tack of paring hardware offerings so they can devote additional space to fashion apparel and home goods.

***Caldor and other discounters** are paring their hardware mix, removing slow-moving skus.*

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Discounters Eat Away at Supermarket Food Sales

Grocery sales at discounters will continue to grow at a healthy pace in 1992. In fact, the expansion of general merchandise retailers into supermarket product categories has been so rapid that it has caused a great deal of controversy within the food industry.

The food operations of discount stores and deep discount drug stores, in addition to the explosive growth of membership warehouse clubs, have triggered major changes in the overall food retailing industry. Faced with this new competition, supermarkets have countered with charges that non-grocery formats (they call them "alternative store formats") can offer lower prices than traditional grocery stores because they receive better prices, terms and deals from manufacturers.

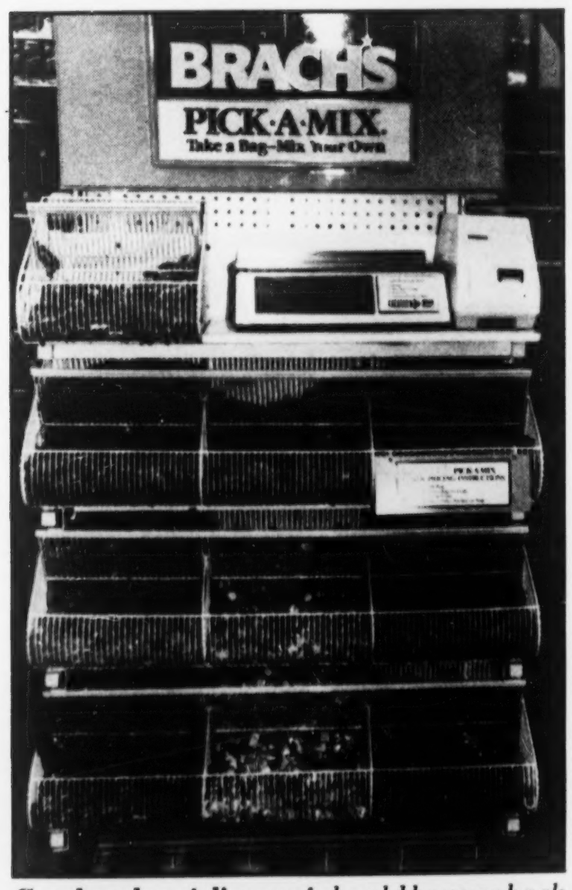
However, according to a study conducted by the Food Marketing Institute, and unveiled at the supermarket trade group's annual convention this year, that analysis is a major misconception. Instead of getting favorable deals, discount chains and clubs utilize specific merchandising and operational systems that allow them to keep costs low, and result in lower prices.

The growth of food sales at discount chains is most easily illustrated by a look at Wal-Mart, which leaped into the food business in 1983 when it opened Sam's Wholesale Club. Today, Wal-Mart runs the largest wholesale club operation in the nation (Sam's recorded $9.4 billion in sales in 1991), is blitzing the countryside with new Wal-Mart SuperCenters (nearly 20 combination general merchandise and food stores are expected to be in operation by the end of the year), is a major food distributor through its McLane subsidiary and is building the food business at its core of some 1,700 discount stores.

Such growth has many retail observers predicting that Wal-Mart will be the nation's largest food retailer by the year 2000.

Kmart, with its own wholesale club arm (Pace), its own supercenter concept (Super Kmart Center) and its own commitment to growing the food business at its discount stores, will also fuel the spread of supermarket sales into general merchandise outlets.

Committed to growing *the food business at its stores, like this one in Sayville, N.Y, Kmart will fuel the spread of food into discount outlets.*



Candy sales at discount *should bounce back with new introductions and sophisticated seasonal selling strategies.* (DSN photos)

While candy and snacks had a relatively flat year at discount chains, sales should bounce back this year due to several new product introductions and more sophisticated seasonal selling strategies on the part of the major retailers.

A study conducted by Leo J. Shapiro & Associates for *DSN* earlier this year revealed that 34% of consumers made their last candy and/or snack purchase at either a discount store, warehouse club or drug store. Wal-Mart was the market share leader among the non-grocery stores, with 15% of total last purchases of candy and snacks, followed by Kmart, 8%, Meijer, Phar-Mor, Walgreens and Sam's Club, all tied with 4%.

Packaged groceries and household cleaners and chemicals, which really took off at the membership clubs, also should achieve strong success at discount chains this year.

A recent study by *DSN*'s *Food Merchandising* quarterly magazine revealed that nearly six out of 10 shoppers are now going to discounters and warehouse clubs for convenience packaged food products. And one of the biggest growth areas for discounters, according to the survey, is microwaveable prepared foods. Twenty percent of consumers purchased microwaveable prepared foods at clubs and mass merchants last year, spending an average of $177 over the year on such products.

The new EDLP (Every Day Low Price) strategies adopted by Procter & Gamble this year, and being considered by other suppliers of household goods, will tend to level off the peaks and valleys of inventory demand. This does not please retailers, particularly supermarket chains, that depend upon a high/low pricing strategy to draw traffic. However, discounters and wholesale clubs are likely to be very receptive to manufacturer EDLP policies, which will pose more problems for wholesale distributors and grocers.

Unfortunately, environmental concerns have failed to open vast new sales opportunities for retailers. Nevertheless, a general heightening of interest in ecology is resulting in products that are less harmful to the environment.

Pet food and accessories sales are also expected to outpace overall average growth. The action here is two-fold: bulk food in large-size bags and new gourmet or extra-nutritious formulations that have been successful in supermarkets and are now making their way into the discount formats.

The discount store beverage business is also poised to bubble up. Target is the first of several discounters expected to be adding refrigerated cases to sell more single serve bottle, can and carton soft drinks. And juice sales are growing at discounters also.

Warehouse club food figures are buttressed by a relatively new element: fresh meat, baked goods and produce. The introduction of these new areas is sweeping the club industry and is causing even more concern among traditional supermarket operators. In addition, even some discounters may join the perishables act, with Caldor and Venture selling frozen steaks in special Memorial Day and Fourth of July promotions.

Household Cleaners $2.8 Billion	
Full-Line Discounters	$1.0B
Catalog Showrooms	—
Membership Warehouse	$1.2B
Specialty Discounters	$0.6B
Full-Line Discount Store Productivity	
Sales	$1.0B
Sales Per Store	$125,000
Dept. Size	1,500 Sq. Ft.
Sales Per Sq. Ft.	$83.33
Turns	5.1
Initial Markup	18.3%
Gross Margin	5.1%

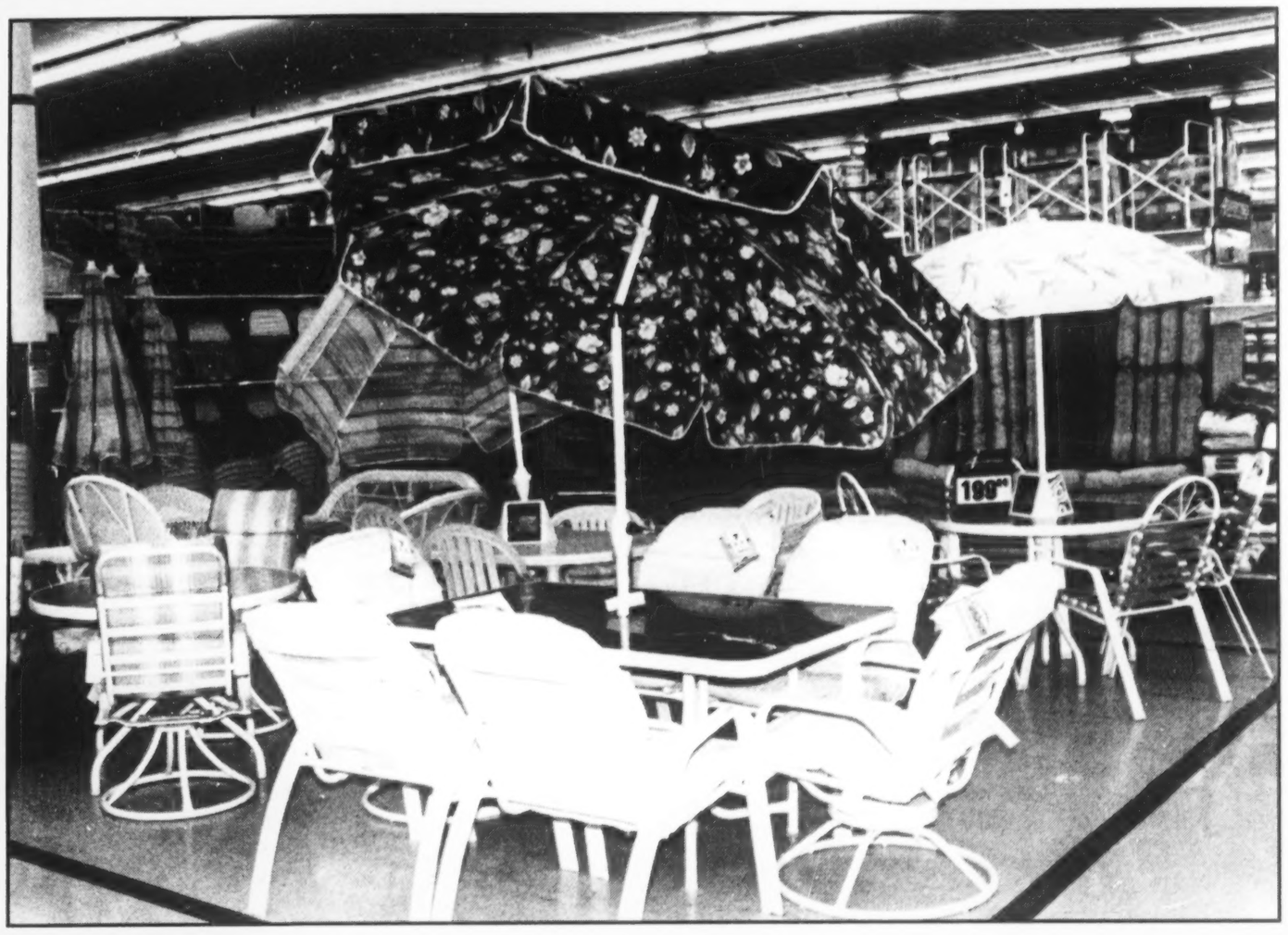
Source: DSN research

Food[1] $18.0 Billion	
Full-Line Discounters	$5.5B
Catalog Showrooms	—
Membership Warehouse	$11.2B
Specialty Discounters	$1.3B[2]
Full-Line Discount Store Productivity	
Sales	$5.5B
Sales Per Store	$688,000
Dept. Size	2,400 Sq. Ft.
Sales Per Sq. Ft.	$286.46
Turns	9.5
Initial Markup	23.7%
Gross Margin	17.1%

[1] Includes candy, snacks, beverages and packaged foods.
[2] Includes deep discount drug stores and variety store discounters.

Source: DSN research

DISCOUNT INDUSTRY ANNUAL REPORT: PART II



The recession soured sales *of high-end products, such as lawn furniture, right, and but value goods like lower-end lawnmowers, sold well.*

Lawn & Garden Sales Blossom Despite Economy

The lawn & garden industry again defied the national recession last year, posting sales gains ranging from 6% to 14%, depending on whose survey you chose, and another minimum growth of 6% is foreseen for 1992.

Yet, 1991 was a "tough year for prices," as many retailers traded margins for volume, said Ian Baldwin, a lawn & garden consultant based in Sacramento, Calif. There are a lot of margins out there in the low 20s, he said.

The average sale per customer didn't go down, Baldwin said, but consumers tended to switch to short-term, less expensive bedding plants and biennials from long-term shrubs and trees, he said.

Tree sales were especially hurt, Baldwin added.

Mass merchandisers, with their superior sales information systems, responded "better and quicker to changing conditions," than did independent garden centers, Baldwin said. Accordingly, discounters were caught with less excess inventory.

Higher end products, such as big-ticket power equipment and lawn furniture, suffered a downturn, he said.

Instead, consumers turned to value products, such as hand tools, hoses and lower end lawnmowers.

Among the new products, humming bird feeders at $5.99 to $20 are doing well and some discount stores are starting to carry them, he said. Bird feeders in general is a strong category.

The recession has curtailed, however, the move toward organic fertilizers and pesticides. Organics, because of their higher prices, are a "bit of a bomb," at discounters, he said.

In a step beyond organics, a trend toward environmentally safe garden chemicals "is starting to develop in earnest," said Chuck Greenidge, president of Greenidge & Associates, a lawn & garden consulting firm based in Evergreen, Colo.

Unlike organics, which were a consumer driven movement, the move toward safer garden chemicals is being driven by commercial applicators and farmers, leery of lawsuits over the use of dangerous chemicals, he said.

Safer has come out with an extended line of fungicides, pesticides and weed killers that aren't necessarily biodegradable or organic, such as its best-known product, insecticidal soap, he said.

Lawn & Garden $3.6 Billion	
Full-Line Discounters	$3.0B
Catalog Showrooms	$0.2B
Membership Warehouse	$0.4B
Specialty Discounters	—
Full-Line Discount Store Productivity	
Sales	$3.0
Sales Per Store	$375,000
Dept. Size	1,450 Sq. Ft.
Sales Per Sq. Ft.	$258.62
Turns	2.3
Initial Markup	25.1%
Gross Margin	13.8%

Source: DSN research

From a retailer's standpoint, such products are priced high and carry margins of 40% to 50%. Because the products are so new, there is little discounting, Greenidge said.

Rigo, Chevron and Ortho also have added environmentally safer chemicals to their lines, Greenidge added, as retailer alternatives for their conventional products.

"It won't happen overnight," but the move toward safer chemicals is certain to develop because it is a broad-based market that cuts across all socio and economic lines, he said.

From a consumer standpoint, the major trend today is the desire for instant garden. "I want it today," is the predominant consumer attitude, he explained.

Accordingly, the move toward larger size nursery stock is burgeoning with three gallon sizes becoming common in place of one or two gallon.

Prices of the larger sizes aren't footballed as much, Greenidge said, and even discounters can get margins of 70% to 80% on larger sizes of unusual shrubs, compared to as low as 30% on one gallon sizes.

In line with the instant, ready-to-use trend, a market has developed for pre-planted container gardens that would mix a "collage of colors" in, say, a simulated clay pot made of light weight plastic that consumers could put out on a condo patio or patio balcony.

Wal-Mart and Kmart both have done a good job with pre-planted window boxes and planters, he said.

Consumers also demand the convenience of ready-mixed products, such as Monsanto's Roundup weed killer, and are willing to pay markups of 35-40% for it, even though it is 90% water, Greenidge said.

L&G is becoming an important seasonal department for warehouse clubs, Greenidge said, and clubs are expanding their assortments in the typical, cherry-picking approach they follow in other departments.

Pace, for example, brings in colorful bedding plants for weekend sale, he said. And if consumers can make use of a 12.5 pound package of Miracle-Gro, Price Club, for instance, offers a terrific price of about $15.

In another merchandising development, Wal-Mart is spearheading the move toward closed-loop video presentations, such as videos on how to use riding mowers, Greenidge said.

The boom in L&G sales of at least 10% over the past several years shows no signs of ending, Greenidge said.

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DISCOUNT INDUSTRY ANNUAL REPORT: PART II

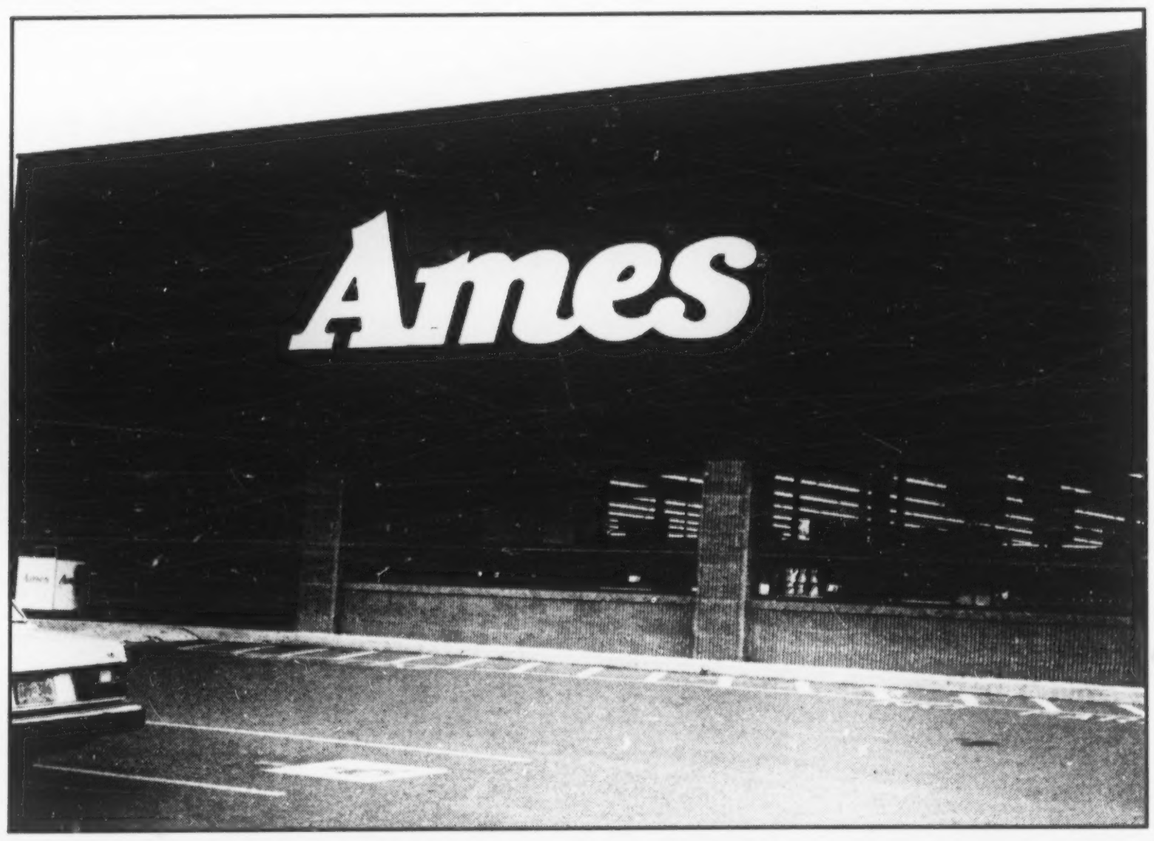
Discount Stores by Region and State[1]

Region/State	Discount Dept. Store[2]	SMR[3]	Catalogers	Clubs	Total	Top 2 Leading Chains by Region, State			
New England	443	55	57	25	580	Ames	131	Bradlees	76
Connecticut	101	10	13	8	132	Caldor	30	Bradlees	27
Massachusetts	187	21	27	8	243	Ames	42	Bradlees	37
Maine	52	8	6	5	71	Ames	29	Kmart/Sears	8
New Hampshire	61	10	8	2	81	Ames	23	Kmart	10
Rhode Island	23	4	2	2	31	Ames	7	Kmart	5
Vermont	19	2	1	0	22	Ames	13	Kmart	3
South Atlantic	1,292	240	274	79	1,885	Kmart	467	Wal-Mart	345
Delaware	15	4	4	1	24	Ames	10	Rose's/Jamesway	5
Florida	303	76	100	36	515	Kmart	159	Wal-Mart	124
Georgia	205	24	17	12	258	Kmart	82	Wal-Mart	80
Maryland	106	37	27	11	181	Ames	42	Kmart	32
North Carolina	287	29	53	8	377	Rose's	115	Kmart	77
South Carolina	114	15	22	2	153	Wal-Mart	50	Kmart	44
Virginia	193	40	44	8	285	Rose's	54	Kmart	53
Washington, D.C.	1	2	0	0	3	Sears	2	Ames	1
W. Virginia	68	13	7	1	89	Kmart/Ames	16	Hills	11
East North Central	1,393	229	157	77	1,856	Kmart	503	Wal-Mart	220
Illinois	278	81	43	14	416	Kmart	108	Wal-Mart	85
Indiana	230	33	24	16	303	Kmart	81	Wal-Mart	55
Michigan	305	44	38	18	405	Kmart	126	Meijer	52
Ohio	397	49	48	21	515	Kmart	128	Hills	50
Wisconsin	183	22	4	8	217	Kmart	60	ShopKo	36
East South Central	601	66	72	21	760	Wal-Mart	290	Kmart	182
Alabama	167	18	17	6	208	Wal-Mart	80	Kmart	45
Kentucky	142	13	10	5	170	Wal-Mart	67	Kmart	50
Mississippi	111	11	15	4	141	Wal-Mart	57	Kmart	20
Tennessee	181	24	30	6	241	Wal-Mart	86	Kmart	67
Mid-Atlantic	796	140	188	34	1,158	Kmart	223	Ames	161
New Jersey	160	20	42	8	230	Kmart	45	Jamesway	33
New York	301	63	93	11	468	Ames	92	Kmart	66
Pennsylvania	335	57	53	15	460	Kmart	112	Ames	61
South West Central	803	156	83	57	1,099	Wal-Mart	473	Kmart	231
Arkansas	112	11	4	6	133	Wal-Mart	78	Kmart	18
Louisiana	119	21	18	9	167	Wal-Mart	76	Kmart	40
Oklahoma	125	18	8	5	156	Wal-Mart	84	Kmart	17
Texas	447	106	53	37	643	Wal-Mart	235	Kmart	156
West North Central	765	105	30	26	926	Wal-Mart	230	Kmart	195
Iowa	143	20	4	3	170	Pamida	44	Wal-Mart	40
Kansas	112	19	4	3	138	Wal-Mart	43	Kmart	27
Minnesota	150	25	5	6	186	Kmart	45	Pamida	42
Missouri	186	24	9	10	229	Wal-Mart	106	Kmart	44
Nebraska	87	10	2	2	101	Kmart	19	ALCO	16
North Dakota	39	5	3	1	48	Kmart	12	Pamida	9
South Dakota	48	2	3	1	54	Kmart	12	Pamida	11
Mountain	418	81	53	34	586	Kmart	157	Wal-Mart	89
Arizona	94	19	11	11	135	Kmart	35	Wal-Mart	25
Colorado	97	25	16	10	148	Kmart	34	Wal-Mart	28
Idaho	30	8	2	1	41	Kmart	12	Sears/Shopko	7
Montana	32	5	3	2	42	Kmart	13	Pamida	7
Nevada	24	7	7	3	41	Kmart	11	Target	5
New Mexico	50	10	9	1	70	Kmart	22	Wal-Mart	21
Utah	53	4	4	6	67	Kmart	20	Fred Meyer	13
Wyoming	38	3	1	0	42	Pamida	15	Kmart	10
Pacific	534	172	67	220	993	Kmart	234	Sears	109
Alaska	5	2	0	2	9	Fred Meyer	5	Sears	2
California	294	125	56	193	662	Kmart	176	Target	103
Hawaii	5	6	0	1	12	Sears	6	Gem of Hawaii	5
Oregon	127	15	5	6	153	Fred Meyer	41	Bi-Mart	38
Washington	103	24	12	18	157	Kmart	34	Fred Meyer	30
Puerto Rico	14	8	0	0	22	Kmart	14	Sears	8
Total:	**7,059**	**1,258**	**1,064**	**573**	**9,865**				

[1] Chart excludes dollar discount chains, closeouters, hypermarkets, and off-price apparel stores.
[2] Total numbers may vary slightly depending on frequent openings and closing during the year.
[3] SMR—Specialty Mass Retailer

Source: Discount Store News/Chain Store Guides

DISCOUNT INDUSTRY ANNUAL REPORT: PART II



Both Bradlees, above, and Ames, right are ranked No. 2 *in there perspective region/state, New England/Connecticut and Mid-Atlantic/Pennsylvania, respectively.* (DSN photos)

1991 Store Counts Flat by State & Region

The 1990s may be clouded by recession for a broad mix of the nation's retailers, but for the warehouse clubs, the good times just keep on rolling.

These high volume stores that carry everything from lettuce to truck tires have posted tremendous increases in both sales and unit count and appear as a bright spot on *DSN*'s store count report, page 84.

In 1991, the number of warehouse clubs soared as acceptance of the concept of bulk purchases in bare-bones settings claimed more and more loyal customers. By year's end, about 573 units were in operation, mostly in California, the birth place of the format, but with a substantial showing across the entire country.

More growth is expected in 1992 as new club openings swell even higher, possibly over the 700 mark, in even more new markets. Fueling that growth are the largest club operators, particularly Sam's Clubs, which, along with Wal-Mart discount stores, is pushing into the Northeast.

The club growth helped to offset the decline of the entire discount industry's store base, which has been ravaged by recession-linked closings.

Store closings by Ames, L.A. Joe's and Hills, plus such catalogers as The Present Co., and others, made the overall store count fall last year below 1990 levels.

In 1991, the total number of discount stores—discount department stores, specialty discounters, mass retailers (Sears and Montgomery Ward), catalog showrooms, and warehouse clubs—fell to 9,865 units nationwide, a drop of nearly 300 outlets.

Catalog showrooms, hit hard by a changing marketplace, suffered extremely in 1991 as the list of companies in this business shortened.

For 1991, 1,064 catalog showrooms operated all or part of the year, a decline of about 100 stores. By the end of this year, that number may dip again as catalogers now in the throes of closing up shop leave the retail scene completely or change their emphasis to more lucrative businesses, like jewelry.

The specialty mass retailers, specifically Sears and Montgomery Ward, increased their store counts in 1991. Sears, which made headlines for a number of reasons including cost-cutting policies and layoffs, still added stores in 1991, as did Montgomery Ward. For the year, these two chains operated over 1,250 stores nationwide, an addition of over 50 stores from 1990.

The largest proportion of discount stores in the country, of course, remains the full-line discount department store, specifically Kmart. However, with Wal-Mart's commitment to growth, Kmart's dominance in this area is likely to crumble in the coming years.

As in 1990, Kmart continued its domination of five regions of the country—South Atlantic, East North Central, Mid-Atlantic, Mountain and Pacific—plus Puerto Rico. Wal-Mart is dominant in three regions, West North Central, south West Central and East South Central. However, Wal-Mart's rapid store growth in the South Atlantic states threatens Kmart store count supremacy.

Despite the store openings of Kmart and Wal-Mart, the entire discount department store industry operated about 250 fewer stores in 1991 than in 1990. Discount stores totaled 7,059 units last year, compared to 7,340 stores in 1990.

The area with the greatest number of stores last year was the East North Central states of Illinois, Indiana, Michigan, Ohio, and Wisconsin. These five states were home to 1,393 discount department stores, and a total of 1,856 stores, including specialty mass retailers, catalogers and clubs.

But the region of the country with the greatest number of discount stores, regardless of format, was the South Atlantic. This large region, consisting of eight states plus Washington, D.C., tallied 1,885 stores in 1991. Of that, 1,292 units were discount department stores. Within the region, the high-growth state of Florida led the way with 303 discount stores and 100 catalog showrooms, thanks largely to Luria's, based in the Sunshine State.

The region with the least number of stores was New England. This six-state region, hit hard by the recession, had just 580 discount stores in 1991, just six shy of 586-store Mountain region.

The eight Mountain states had just 418 discount department stores within their boarders last year. However, the 418 stores represents a 34-store increase over 1990.

The other regions break down as follows:

- Mid-Atlantic, 1,158 total stores of which 796 are discount department stores;
- South West Central, 1,099 stores, 803 discount department stores;
- Pacific, 993 stores, 534 discount department stores.
- West North Central, 926 stores, 765 discount department stores; and
- East South Central, 760 discount stores, 601 discount department stores.

Despite the overwhelming dominance of Kmart and Wal-Mart in most regions and states across the country, there were areas where other discounters dominated the retail landscape.

In the Northeast, for example, Ames, with 131 stores, dominated, followed by Bradlees. Caldor also is a strong competitor in this region as is Jamesway.

The three Mid-Atlantic states of New York, New Jersey and Pennsylvania, where Wal-Mart is only beginning to enter and Kmart opened in metro New York just last year, is heavily supported by stores by Ames and Jamesway.

Ames also came out on top in the state of Delaware, and in Washington, D.C. Elsewhere in the South Atlantic region, Hills was a strong competitor in West Virginia, with 11 stores.

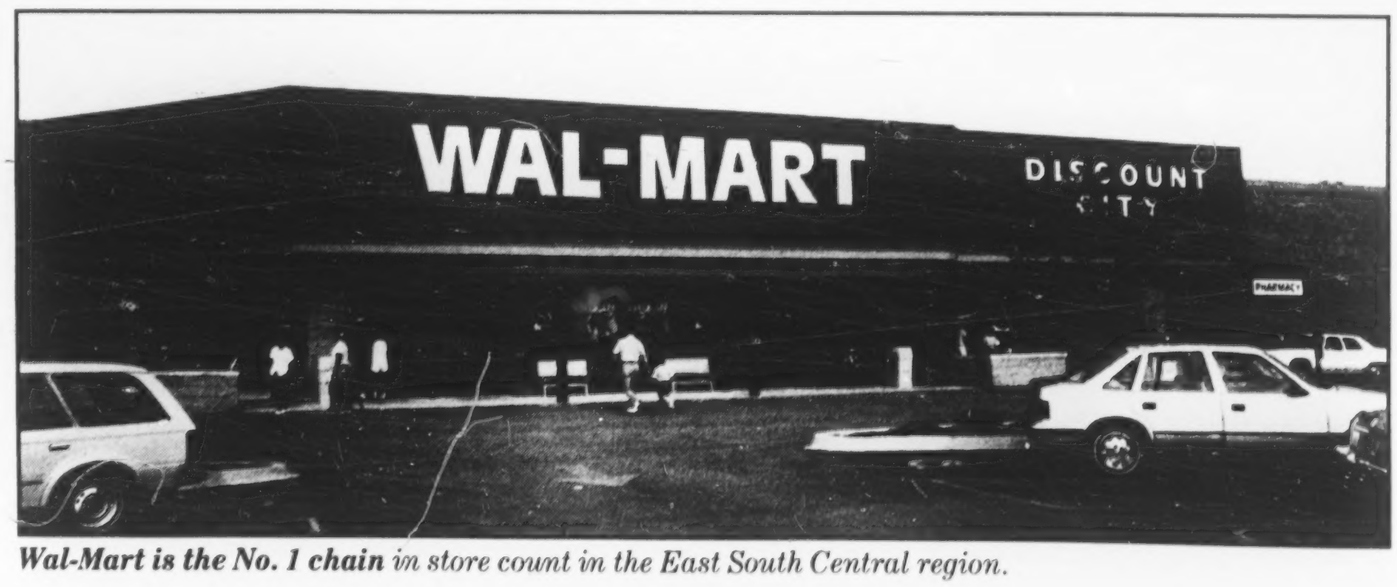
Hills also was the No. 2 discounter in the East North Central state of Ohio after Kmart, with 50 stores. ShopKo was the No. 2 chain by store count in Wisconsin, also after Kmart. Meijer, with 52 stores, was second to Kmart in Michigan.

In the West North Central region, Pamida was a strong competitor with its store base, particularly in Iowa, Minnesota and North and South Dakota. ALCO's 16 stores in Nebraska were second to Kmart's 19 units in that state.

Pamida also was a force in the Mountain states of Wyoming and Montana where such regionals as ShopKo and Fred Meyer appeared on the store count charts. In Nevada, Target rose to the list, in second place to Kmart. Also, Sears, with seven stores, tied ShopKo in Idaho for the No. 2 spot after Kmart.

Sears figured prominently in the Pacific states, particularly in Alaska and Hawaii.

Other top retailers by store count in the Pacific region include Fred Meyer in Alaska, Oregon and Washington, Bi-Mart in Oregon, Gem of Hawaii in Hawaii, and Target in California.



Wal-Mart is the No. 1 chain *in store count in the East South Central region.*

DISCOUNT INDUSTRY ANNUAL REPORT: PART II

Wal-Mart, CE, Office, & Dollar Stores Tops in Growth

While it is not a surprise, Wal-Mart or a Wal-Mart subsidiary topped all retailers in growth, whether measured in dollar gain, earnings growth or percentage growth. Only in store count did the Bentonville giant slip . . . all the way to second place!

However, Wal-Mart was not the only growth story last year. Dollar stores, consumer electronics chains and office supply superstores all turned in enviable growth performance. Measured by percentage sales increases over the previous year, four office supply chains made the top ten, along with two closeouters, home products megaretailer IKEA, sporting goods megastore Sports Authority, and a hypermarket operator, Big Bear Plus, whose growth came at the expense of Harts discount stores, both owned by Penn Traffic. Harts stores are gradually being converted over to the Big Bear Plus format.

Academy Sporting Goods, which operates only in Houston, was also a major gainer, and three top consumer electronics retailers, BrandsMart USA, The Good Guys and Best Buy, ranked in the top 20, impressive for retailers in a flat industry during a recession year.

In dollar volume growth, Wal-Mart took the top two slots (Sam's Club finished second), but Kmart's Pace clubs ran a strong third, followed by Price Club and Costco, the other major club operators.

The next four spots were nailed down by full-line discounters, and the rest of the top 20 was dominated by specialty chains, mainly consumer electronics (Circuit City and Best Buy), office chains (Staples and BizMart) and off-price apparel chains (T.J. Maxx and Marshalls).

Store growth was dominated by opportunistic specialty operations. Kay Bee Stores was a surprise No. 1 (largely through the acquisition of 136 units from Virginia-based K&K Toys), but dollar stores and closeouters dominated the chart, along with specialty operations like Lechters. These chains run small, generally inexpensive stores, and evidently took advantage of real estate deals nationwide. The three top discounters also made the top 20, with Wal-Mart well ahead of both Kmart and Target.

And, in the all-important profit growth category, Wal-Mart was again well ahead of the competition. Kmart ran a distant second. QVC Network, AutoZone, Consolidated Stores, Ross Stores and Value City also had highly profitable years, while better known competitors failed to make the chart. Biggest winners, on a percentage basis, were Pace (profits up 225%) and Staples (profits up 213%). Sears also rallied, although its results compared to a near-disastrous 1990. Predictably, dollar stores and closeouters fared well in profit growth, as they took advantage of the growing thriftiness of recession-weary consumers.

Top Chains in Dollar Sales Growth

Chain	Code	Sales 1991	Sales 1990	% Change	Sales Growth (In Millions)
Wal-Mart	DDS	$31,667	$25,496	24.2%	$6,171
Sam's	CLUB	9,430	6,579	43.3	2,851
Pace	CLUB	3,646	2,295	58.9	1,351
Price Club	CLUB	6,598	5,286	24.8	1,312
Costco	CLUB	5,216	4,060	28.5	1,156
Target	DDS	9,041	8,175	10.6	866
Kmart	DDS	24,749	24,144	2.5	605
Meijer	HYPER	3,500	3,000	16.7	500
Montgomery Ward	SMR	5,600	5,128	9.2	472
Circuit City	CE	2,790	2,367	17.9	423
Office Depot	OFFICE	1,301	903	44.1	398
Toys "R" Us	TOY	4,500	4,180	7.7	320
Fred Meyer	HYPER	2,700	2,400	12.5	300
BJ's Wholesale Club	CLUB	1,432	1,150	24.5	282
T.J. Maxx	APP	2,180	1,900	14.7	280
Best Buy	CE	930	665	39.8	265
Pay Less NW	DDD	1,892	1,642	15.2	250
Staples	OFFICE	547	299	83.1	248
BizMart	OFFICE	493	259	90.3	234
Marshalls	APP	2,358	2,183	8.0	175

Source: DSN Research

Top Chains in Store Count Growth

Chain	Code	Number of Stores 1/90	Number of Stores 1/91	Proj. 1/92	Number of New Stores In 1991
Kay-Bee	TOY	963	1,270	1,280	307
Wal-Mart	DDS	1,573	1,720	1,880	147
Everything's A $1	CLOSE	105	207	407	102
Dress Barn	APP	462	550	600	88
AutoZone	AUTO	598	678	718	80
Pay Less NW	DDD	321	401	429	80
Family Dollar	DOLLAR	1,680	1,759	1879	79
Lechters	HOME	364	438	528	74
One Price Clothing Stores	APP	295	365	429	70
Office Depot	OFFICE	228	290	345	62
Consolidated Stores	CLOSE	337	398	438	61
Dollar General	DOLLAR	1,461	1,522	1,612	61
Sam's	CLUB	148	208	248	60
Dollar Tree Stores	CLOSE	130	186	260	56
Staples	OFFICE	74	123	179	49
Toys "R" Us	TOY	451	497	542	46
T.J. Maxx	APP	392	437	482	45
Kmart	DDS	2,205	2,249	2,308	44
Western Auto	AUTO	504	548	600	44
Target	DDS	420	463	508	43

Source: DSN Research

Top Chains in Dollar Earnings Growth

Chain	Code	Earnings[1] (In Millions) 1991	Earnings[1] (In Millions) 1990	% Change	Earnings Growth (In Millions)
Wal-Mart	DDS	$2,553.0	$2,043.0	25.0%	510
Kmart	DDS	1,367.0	1,257.0	8.8	110
Sears	SMR	163.0	77.0	111.7	86
QVC Network	ELE	84.4	29.4	187.1	55
Costco	CLUB	137.7	93.0	48.1	45
AutoZone	AUTO	72.0	38.0	89.5	34
Circuit City	CE	124.1	91.4	35.8	33
Pace	CLUB	39.0	12.0	225.0	27
Toys "R" Us	TOY	498.0	473.0	5.3	25
Consolidated Stores	CLOSE	38.3	15.2	152.0	23
T.J. Maxx	APP	180.9	160.6	12.6	20
Ross Stores	APP	45.0	25.0	80.0	20
Fred Meyer	HYPER	86.8	67.5	28.6	19
Family Dollar	DOLLAR	63.7	47.6	33.8	16
Price Club	CLUB	213.8	199.2	7.3	15
Pay Less NW	DDD	90.0	77.0	16.9	13
Value City	DDS	43.8	31.2	40.4	13
Staples	OFFICE	18.4	5.9	212.5	13
Venture	DDS	65.8	53.8	22.3	12
Dollar General	DOLLAR	34.7	23.1	50.2	12

[1] Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.

DSN Research

Top Chains in Percentage Sales Growth

Chain	Code	Sales (In Millions) 1991	Sales (In Millions) 1990	% Change '90-'91
Bud's Warehouse Outlets	CLOSE	$ 50	$ 10	400.0%
Sports Authority	SPORT	241	105	129.5
Everything's A $1	CLOSE	128	59	115.3
OfficeMax	OFFICE	245	124	97.6
BizMart	OFFICE	493	259	90.3
Big Bear Plus	HYPER	190	100	90.0
Staples	OFFICE	547	299	83.1
OW Office Warehouse	OFFICE	140	80	75.0
IKEA, N.A.	HOME	284	169	68.0
50-Off Stores	APP	128	77	66.2
Wholesale Depot	CLUB	80	50	60.0
Pace	CLUB	3,646	2,295	58.9
Academy	SPORT	160	105	52.4
Super Kmart Center	HYPER	300	200	50.0
BrandsMart USA	CE	197	134	47.0
U.S. Merchandise	CAT	35	24	45.8
The Good Guys	CE	427	294	45.2
Office Depot	OFFICE	1,301	903	44.1
Sam's	CLUB	9,430	6,579	43.3
Best Buy	CE	930	665	39.8

Source: DSN Research

O·U·T·D·O·O·R ■ L·I·V·I·N·G

Expanded L&G Dept. Helps Fertilize Kmart's Sales

(Continued from page 91)

The extra space allows for bulk displays of merchandise on stack tables, such as 5-lb. boxes of K-Gro soluble fertilizer at $6.97, compared to Miracle-Gro at $10.97.

"We turn quite a bit of merchandise" on the stack tables, McCormick said.

The wider aisles also allow better display of power equipment, such as Kmart's new line of mowers from O.M. Scott.

"Customers like to touch riding mowers," McCormick said, "Kids like to climb on them."

In a merchandising wrinkle, the new department was displaying a Scott, 12.5 horsepower riding mower over a mirror, so customers can readily check the underside. The 40-in. mower, featuring all-wheel steering, was priced at $1,499, but Kmart has since temporarily trimmed the price to $1,399 as part of its price rollback program.

The department also carried a Dynamark riding mower, with a 12 horsepower engine and 38-in. cut, at $878.

Noma Manufacturing, Jackson, Tenn., , makes both the Scott and Dynamark lines.

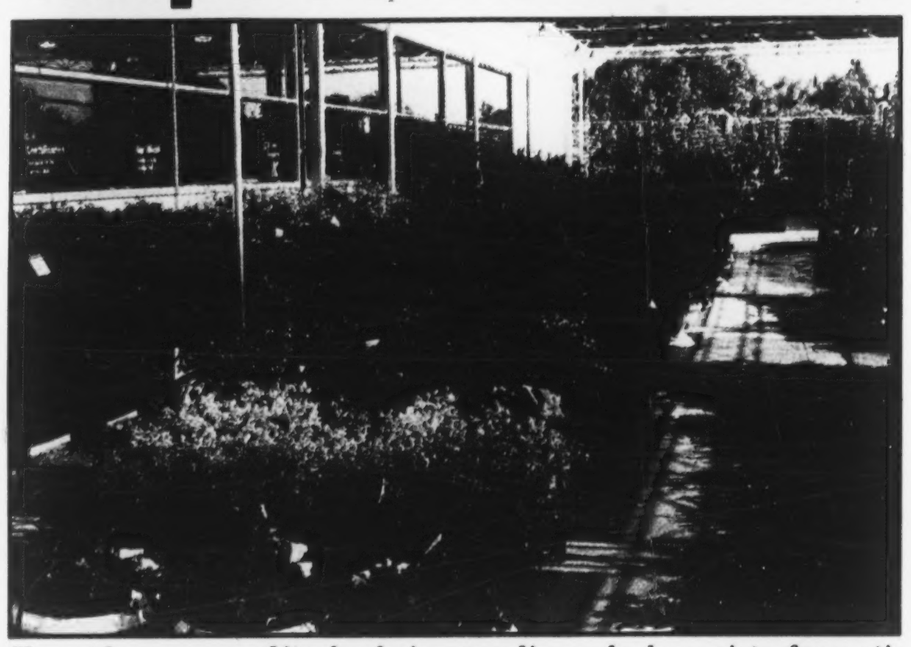
So far this year, Kmart has sold as many Scott riding mowers as it did $850 models in 1991, Charles said. The Scott offers the same features as John Deere mowers but for half the price, he said.

Other Scott mowers on display were a self-propelled mulching mower, 5 horsepower engine, 21-in. cut, at $438 on ad, $488 everyday; a mulch-n-bag push mower, 5 housepower engine, 21-in. cut at $358 on ad, $398 everyday; and a rear-engine riding mower, 10.5 horsepower, 30-in. cut, $1,019.

Other power equipment doing well includes the Ryobi cordless weed trimmer at $96.97, McCormick said, and the new Mac-Vac yard vacuum and mulcher from McCulloch at $114.97.

The outdoor green goods area displays flowering shrubs, such as rhododendrons and azaleas, up front for maximum impact, other shrubs in the center and trees to the rear.

Department manager Winske arranges the shrubs, which come in 1-, 2-, and 3-gal. sizes, in ascending order by variety, for continuity of the visual flow.



***Kmart has arranged** its shrubs in ascending order by variety, for continuity of the visual flow at its Greeville, Mich., store.* (DSN photo)

"Some places just throw things out on the floor. Effective display and availability of sizes are key to green goods sales," Winske said.

Rhododendrons are priced at $39.97 for three gallon sizes and $19.97 for two. Two-gallon azaleas were doing well at $16.97. And fruit trees such as Delicious apple and dwarf Elberta peach, in three-gallon sizes were priced at $19.97

A flat of 36 petunia plants was priced at $9 on ad, $11.82 everyday, while two six-packs of such bedding plants was priced at $3.

A massive display of geraniums that flanked the L&G front entrance were priced at 99 cents each. Kmart also merchandises them in six-packs at the same price.

By October, Kmart will have reset L&G for fall to offer such goods as lawn fertilizer, yews arbor vitaes and mums. Then comes Christmas trim-a-tree and other seasonal uses.

The expanded garden center will help Kmart maintain its position as the largest L&G retailer in the world, Charles said.

Citing a L&G industry trade source, Charles said that Kmart sold $820 million worth of L&G hard lines and green goods in 1991, compared to $544 million for Wal-Mart and $210 million for Home Depot. About 35% of sales are green goods.

Because of a "very disappointing" April, Kmart expects to increase L&G sales by 3% to 4% this year, following a 3% gain in 1991, Charles said.

All five weekends in April were rainy and the midwest had snow twice in mid-April. In Atlanta, where April temperatures normally are in the 70s, the temperature got down to freezing, he said.

When you take a six-week heart out of a selling season that runs about five months, any sales increase for the full year will be modest, even though sales gains since June and July are running double digit, he said.

OPEI Show Hosts Array of Environmental Products

Lawn and garden sources differ about what sales did last year and what they can be expected to do this year.

But what appears beyond question is that 5% to 10% fewer chain buyers will visit Expo '92, the annual show of the Outdoor Power Equipment Institute. And when the show opens in Louisville, Ky., July 26 for its three-day run, attendees will find exhibit space down by 8% to 10%. Show director Warren Sellers blames the economy for the expected decline but emphasizes that about the same number of exhibitors—with the notable exception of Toro—will be represented, even though they are taking smaller booths. In the same vein, Sellers stresses that the same number of chains will be at the show but with smaller delegations.

Out of 18,019 attendees at Expo '91, 661 were chain buyers. Sellers said he expects the total attendance this year to remain about the same, based on preregistrations.

In dropping out of this year's OPEI show, Toro said it will be back next year, Sellers said. Toro mowers are gaining a toehold in discounting, with Price Club offering a self-propelled Toro rear-bagging mower, with a 4.5 horsepower engine, for $369.99.

New products of interest at the show include:

- Enviro-Muffler, catalytic converter mower mufflers said to reduce pollution from engine fumes, by United Emission Catalyst;
- Clear trash bags from Ironclad for recycling;
- Conserve Sprinkler, from Heartland Products;
- Drip watering kits and books from Raindrip Inc.;
- Recyclable bird houses and flat-packaged garden hooks from Euro Garden Design;
- Tree Saver, tree anchoring system, by Lawson & Lawson;
- Blue Foam Ear Plugs from Elvex Corp.;
- Yankee Potter Compost unit from Bonar Plastics;
- Reel lawn mower sharpening kit from American Lawn Mower.

Jim Bennett, host of the syndicated TV gardening show, "Backyard America," said he expects to see more quality engineered into power equipment displayed at the show. "Americans are more quality conscious about outdoor equipment because of their concern about quality in cars," Bennett said.

Because of the economy, he feels that vendors will pretty much hold the line on prices.

Where Households Bought Lawn and Garden Supplies
(No. of Households in Millions)

Outlet	1989[1]		1990		1991	
	% of HH	No. of HH	% of HH	No. of HH	% of HH	No. of HH
Garden Center	50	35	51	35	45	33
Hardware Store	34	24	33	25	32	24
Mass Merchandiser	32	22	31	23	34	25
Feed/Seed Store	21	15	20	15	18	13
Supermarket	23	16	20	15	22	17
Home Center	21	15	25	19	22	17
Mail Order	12	8	10	8	11	8
Other	3	2	2	1	3	2

HH = Households
[1] Percentages add up to more than 100 because householders shop at more than one type of retail outlet.
Source: National Gardening Association annual surveys

As the show opens, the OPEI is forecasting a 3.4% unit decline in manufacturers shipments of walk-behind power mowers during 1992, following a 6.1% decline in 1991. But looking ahead to 1993, it projects a 9.2% increase for the category.

The OPEI predicted that riding mowers: front and rear engine and garden tractors, will have a 3.4% increase in shipments this year, compared to the 8.6% decline in 1991, and a further increase of 4.5% in 1993.

Because of a mild winter, shipments of snowblowers plunged 19% last year. The OPEI projections fail to predict what snowblower shipments will be for the year ended Feb. 28.

The OPEI traditionally releases actual shipments for the year at its show.

Retail sales of all L&G hard lines and live goods gained 6.4% last year, the National Gardening Association concluded from its annual survey, and retail sales should gain about 5% to 6% more in 1992, the association expects.

Retail sales from all channels of trade rose to $22.13 billion from $20.8 billion in 1990, the survey of consumer purchasers found.

As usual, lawn care, including purchases of seed, sod, fertilizer and power mowers, accounted for the lion's share: $6.89 billion, up 7.5% from $6.41 billion in '90.

Landscaping showed the largest percentage gain, 25.8% to $4.83 billion from $3.84 billion. But the surge is a delayed response to the strong housing market of three years ago, said Bruce Butterfield, research director for the association.

(Continued on page 95)

O·U·T·D·O·O·R ■ L·I·V·I·N·G

OPEI Features Environmental Products

(Continued from page 93)

Landscaping of new houses usually is last priority behind interior decorating and furnishing and traditionally lags two to three years behind a house purchase, he said.

Average expenditures per household rose to $296 in 1991 from $282 a year earlier, the survey found.

In a finding of particular significance to discounters, 34% of respondents said they purchased L&G supplies at a mass merchandiser, up from 31% in 1990. That translates into 25 million households, an increase from 23 million. Discounters thus edged out hardware stores as a source of L&G goods, although the survey accuracy of plus or minus 3 percentage points could nullify that apparent gain.

The increased traffic in discount stores should mean increased sales for discounters, Butterfield said. But because gardeners cross-shop and purchase supplies from more than one source, the 34% figure cannot be related to market share.

What the survey shows is that shopping at garden centers has declined, with 45% of householders having bought supplies there in 1991, down from 51% in 1990.

Garden centers probably lost 5% to 10% in market share last year, said Ron Marciel, a Fremont, Calif.-based consultant to independent garden centers, with discounters, including Home Depot, picking up most of the lost share.

"Sales overall, are pretty flat."

Kmart, based on a 3% increase in L&G in 1991 and a dismal spring selling season because of cold and rainy weather, is making a more conservative projection for 1992 of a 3% to 4% gain.

Frank's Nursery, a mass merchant chain of garden and crafts centers, recorded only a 2% gain in 1991, said Dennis Charles, senior horticultural buyer for Kmart. Wal-Mart showed a 17% gain in L&G sales last year, Charles said.

That looks impressive until compared with Wal-Mart's 30% spurt in total sales, he said.

***Realizing that more consumers** are buying lawn & garden supplies at discounters, ShopKo has given the department prominence.*

Lawn & Garden Retail Sales, 1989 to 1991
(In $Millions)

Activity	1989	1990	1991
Lawn Care	$ 5,660	$ 6,412	$ 6,890
Flower Gardening	1,857	2,275	2,302
Indoor Houseplants	822	928	852
Vegetable Gardening	1,026	1,384	1,652
Shrub Care	844	1,099	1,030
Insect Control	1,052	1,370	1,260
Flower Bulbs	478	579	520
Tree Care	886	1,445	1,443
Landscaping	2,605	3,837	4,828
Fruit Trees	287	502	371
Raisings Transplants	139	181	141
Container Gardening	240	359	330
Growing Berries	73	79	90
Ornamental Gardening	266	268	264
Herb Gardening	58	84	161
Total:	$16,285	$20,892	$22,134

Source: National Gardening Association annual surveys

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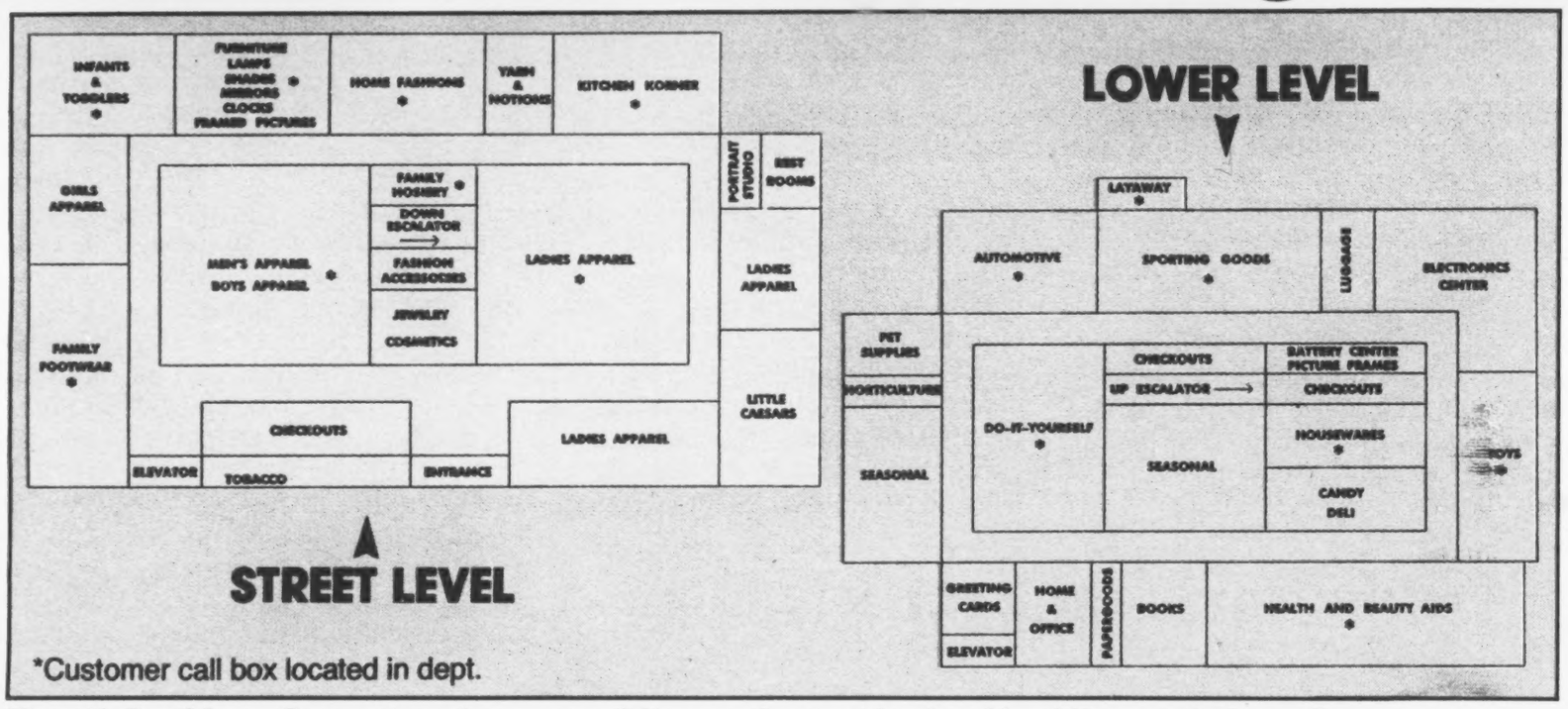
Kmart Bares Merchandising Flexibility

By Laura Liebeck

SOUTHBURY, Conn. — Kmart massaged the details of its typical store layout to accommodate a bi-level, second use site here that provides insight into the chain's merchandising flexibility.

The 120,000-sq.-ft. former Jordan Marsh department store, which opened last month, showcases soft lines on the main or street level and hard lines on the lower floor. While the merchandising presentations were sometimes challenged by the massive support columns throughout the facility and by many aisles that were underlit, it is likely that this store's layout will be duplicated when Kmart opens its long-awaited store Oct. 29 in Fresh Meadows, N.Y., in a former two-level Bloomingdale's department store.



Kmart's Southbury, Conn., store *showcases soft lines on the street level and hard lines on the lower floor.*

Kmart operates just a handful of two-level stores, having acquired them on an opportunistic basis. This site in Southbury certainly qualifies as a prime location: an upscale area with a large retiree base, according to various Kmart sources.

With the growing stock of abandoned department store buildings throughout the country on the rise—including the 11 newly vacated Alexander's units—Kmart is positioning itself with this store to take advantage of real estate opportunities once overlooked because the sites didn't match company floorplans.

The Southbury store isn't the only unit Kmart will open this year that doesn't fit the traditional store profile. The chain's first Hawaiian store, in Iwilei, will be housed in a long and narrow 72,000-sq.-ft. former Pay 'N Pak Home Improvement Warehouse. It has an unattached second building which will house much of that store's warehouse stock.

The Iwilei store opens in October. Other fall open-

(Continued on page 30)

Wal-Mart's New Place In Sun—Puerto Rico

SAN JUAN, Puerto Rico — Wal-Mart will officially open its initial store in this island commonwealth in the Fajardo Xtra Consumer Mall in Fajardo Aug. 4 following a quiet breakdown period conducted for the 91,400-sq.-ft. unit over the past two weeks.

The discounter will follow up by opening a 110,580-sq.-ft. store in the Plaza del Norte Shopping Center in Arecibo in the fall, but it has run into problems with a 110,000-sq.-ft. unit previously announced for Mayaguez.

That proposed Wal-Mart was to go into the Mayaguez Mall. Woolworth, however, has invoked a clause in its lease to try and stop the discounter, and the developer, in turn, has filed a lawsuit opposing Woolworth's action.

Wal-Mart's plan to open its first Sam's Club on the island has run into zoning problems, which have, so far, stopped any construction on the proposed 130,848-sq.-ft. club in Caguas.

(Continued on page 28)

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Building an Empire in New York

ALBANY N.Y. — Wal-Mart plans to open 11 stores in New York state this year and at least five more in 1993, including four in the state's Capitol District during the next two years, as part of its mounting invasion of the Northeast.

Separately, the discounter plans to open about a dozen Sam's Clubs in the state as part of its membership warehouse chain's mushrooming expansion in the region.

Wal-Mart's push in the Empire State includes adjacent openings of discount stores and Sam's Clubs in a number of sites.

The diversified retailer plans to initially support its Northeast expansion from the 1 million-sq.-ft. distribution center in Clearfield, Pa., that will open in fall 1993. But long-range, Wal-Mart is considering building a DC in New York state that would be better positioned to serve the New York/New England market, sources said.

The likely New York site is a 60-acre tract that's part of the 300-acre Interchange Commerce Center in Harriman in Orange County at the junction of two major highways: Interstate 87 and State Route 17. Orange & Rockland Utilities, which owns the center, has reportedly held talks with Wal-Mart, but the utility has denied any contact with the retailer. While Wal-Mart said there weren't any plans for a DC in Orange County, other sources indicated that the discounter projects open-

(Continued on page 30)

Phar-Mor Opens No. 300; Denies Plans for IPO

Phar-Mor president Michael Monus *(with scissor) leads ribbon-cutting for 300th store in Ashtabula, Ohio.* (DSN photo)

By Tony Lisanti

ASHTABULA, Ohio — Phar-Mor, which now calls itself the nation's biggest deep discount store chain, opened its 300th store here last week with more fanfare than at all of its previous 299 stores.

(Continued on page 28)

Special Supplement
Discount Store News
August 3, 1992

AAM

Apparel Merchandising

50-OFF STORES: LOW PRICES, FAST GROWTH

Charles M. Siegel,
chairman, president, ceo

Discounters lead

First quarter results for 1992 are in and discount stores are again the No. 1 outlet of choice for boys' and girls' fleece pants and tops, according to The NPD Group, Port Washington, N.Y.

While discounters take the top position in both fleece shirts and pants, first quarter sales of the girls' garments are showing significantly stronger gains at the mass merchant level, the report indicates. First quarter girls' sweatshirts at discount were up 13.7 percent over 1991 sales to $19.9 million, and sweatpants sales also rose, 16.9 percent, to $10.1 million in first quarter 1992. However, girls' sweatpants sales decreased at other retail levels. Price may be an issue in the category, with the garments functioning as generic casual bottoms.

Boys' sweatshirts were down 21.8 percent at discount to $35.8 million in first quarter from the prior year and sweatpants were down slightly, 6.8 percent, to $39.6 million. Perhaps the newer, more comfortable denim trousers are taking a portion of the boys' sweatpants business.

But other retailers saw increases in boys' fleece for the quarter. Specialty stores showed the largest increase in boys' sweatshirts, up 87 percent to $12.9 million in first quarter 1992 from $6.9 million in 1991. Although discounters still generate the most boys' sweatshirt sales, quarterly results show that shoppers may increasingly be choosing other retail tiers in which to buy boys' tops.

Possibly price is not what's moving these sweatshirts. The garments sold in department and specialty stores, for instance, may be attracting consumers because of their fashion appeal rather than a low ticket. This gives credence to the argument that sweatshirts may be replacing sweaters in boys' wardrobes. Total boys' sweatshirts for the quarter moved up 12.3 percent to $122.0 million.

In 1991, boys' fleece accounted for $1.2 billion in overall sales, compared to $1.1 billion for the prior year. The girls' fleece tops and bottoms accounted for $467.6 million in 1991, down from 1990's $474.5 million.

Overall, discounter sales changes were subtle from 1990 to 1991 in this category; girls' sweatpants increased by 5.6 percent; sweatshirts were down 6.7 percent.

In boys', discount sweatshirt sales for 1991 fell off 1.6 percent to $270.1 million. Sweatpants increased 22.3 percent.

Discounters may have to take a careful look at what's driving their boys' and girls' fleece business. While the mass merchants typically have been the consumer's choice for fleece purchases, the huge category has other retailers vying for their shopper's dollars.

Boys' fleece

Where boys' sweatpants are purchased

Outlet	1991 Annual Sales ($ in millions)	1990 Annual Sales ($ in millions)	Percent Change
Discount stores	222.1	181.6	22.3
JCPenney, Sears and Montgomery Ward	72.8	67.6	7.7
Department stores	61.3	54.1	13.3
Off-price stores	29.8	22.7	31.3
Specialty stores	29.4	14.7	100.0
All other*	34.2	40.4	(15.3)
Total Outlets	449.6	381.1	18.0

Source: The NPD Group, Inc.

* Includes direct mail, factory outlets, warehouse clubs, food and drug stores.

( ) Denotes negative number

Where boys' sweatshirts are purchased

Outlet	1991 Annual Sales ($ in millions)	1990 Annual Sales ($ in millions)	Percent Change
Discount stores	270.1	274.6	(1.6)
Department stores	136.3	140.3	(2.9)
JCPenney, Sears and Montgomery Ward	112.7	141.2	(20.2)
Specialty stores	65.3	52.7	23.9
Off-price stores	41.2	49.2	(16.3)
All other*	109.3	102.4	6.7
Total Outlets	734.9	760.4	(3.3)

Source: The NPD Group, Inc.

* Includes direct mail, factory outlets, warehouse clubs, food and drug stores.

( ) Denotes negative number

Girls' fleece

Where girls' sweatpants are purchased

Outlet	1991 Annual Sales ($ in millions)	1990 Annual Sales ($ in millions)	Percent Change
Discount stores	61.8	58.5	5.6
Department stores	18.3	22.2	(17.6)
JCPenney, Sears and Montgomery Ward	10.7	14.0	(23.6)
Specialty stores	7.3	7.4	(1.4)
Off-price stores	5.6	6.8	(17.6)
All other*	10.9	13.5	(19.3)
Total Outlets	114.6	122.4	(6.4)

Source: The NPD Group, Inc.

* Includes direct mail, factory outlets, warehouse clubs, food and drug stores.

( ) Denotes negative number

Where girls' sweatshirts are purchased

Outlet	1991 Annual Sales ($ in millions)	1990 Annual Sales ($ in millions)	Percent Change
Discount stores	120.0	128.6	(6.7)
Department stores	63.7	60.0	6.2
Specialty stores	61.6	44.8	37.5
JCPenney, Sears and Montgomery Ward	35.3	41.4	(14.7)
Off-price stores	14.5	19.6	(26.0)
All other*	57.9	57.7	0.3
Total Outlets	353.0	352.1	2.6

Source: The NPD Group, Inc.

* Includes direct mail, factory outlets, warehouse clubs, food and drug stores.

( ) Denotes negative number

in fleece sales

First Quarter fleece

Where girls' sweatshirts are purchased

Outlet	1992 First Qtr. Sales ($in millions)	1991 First Qtr. Sales ($in millions)	Percent Change
Discount stores	19.9	17.5	13.7
Specialty stores	13.8	9.7	42.3
Department stores	11.8	9.1	29.7
JCPenney, Sears and Montgomery Ward	9.8	5.6	(75.0)
Off-price stores	4.1	1.8	127.8
All other*	10.8	7.2	50.0
Total Outlets	70.2	50.9	37.9

Where girls' sweatpants are purchased

Outlet	1992 First Qtr. Sales ($in millions)	1991 First Qtr. Sales ($in millions)	Percent Change
Discount stores	10.1	8.7	16.9
Department stores	2.1	3.8	(44.7)
JCPenney, Sears and Montgomery Ward	1.7	2.0	(15.0)
Specialty stores	1.7	1.3	(30.8)
Off-price stores	0.9	1.4	(35.8)
All other*	1.9	2.3	(17.4)
Total Outlets	18.4	19.5	(5.6)

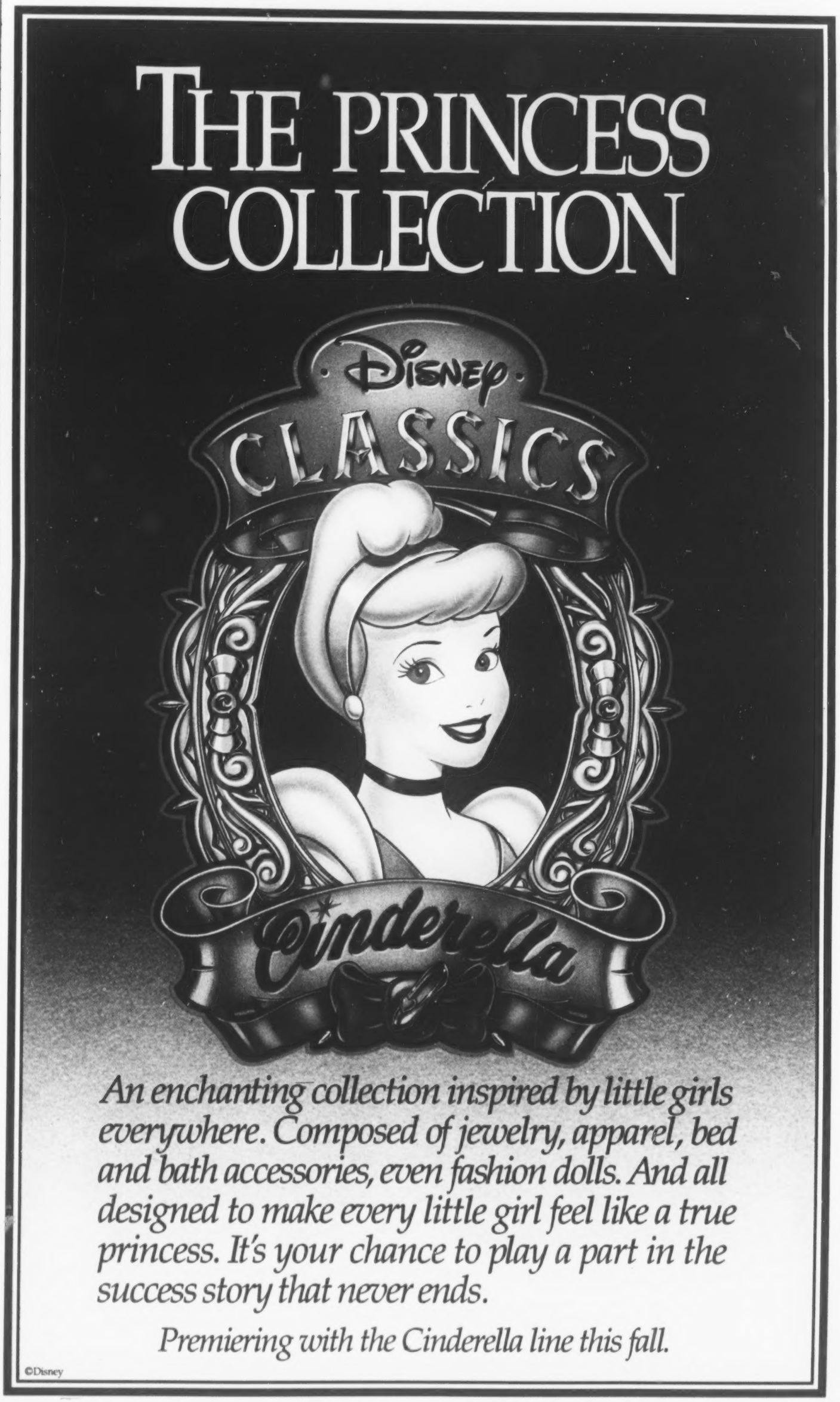
Where boys' sweatshirts are purchased

Outlet	1992 First Qtr. Sales ($in millions)	1991 First Qtr. Sales ($in millions)	Percent Change
Discount stores	35.8	45.8	(21.8)
Department stores	26.6	20.6	29.1
JCPenney, Sears and Montgomery Ward	19.7	14.4	36.8
Specialty stores	12.9	6.9	87.0
Off-price stores	8.8	8.1	8.6
All other*	18.2	12.8	42.2
Total Outlets	122.0	108.6	12.3

Where boys' sweatpants are purchased

Outlet	1992 First Qtr. Sales ($in millions)	1991 First Qtr. Sales ($in millions)	Percent Change
Discount stores	39.6	42.5	(6.8)
JCPenney, Sears and Montgomery Ward	13.6	10.4	30.8
Department stores	8.8	14.8	(40.5)
Off-price stores	5.7	7.6	(25.0)
Specialty stores	3.8	6.7	(43.3)
All other*	4.1	3.0	36.7
Total Outlets	75.6	85.0	(11.1)

Source: The NPD Group, Inc.
* Includes direct mail, factory outlets, warehouse clubs, food and drug stores.
( ) Denotes negative number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Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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***Only last month**, Monus (r.) cut the ribbon on Phar-Mor's 300th store in Ashtabula, Ohio, with store manager Chuck Campbell.*

Deep Discounter In Deep Despair

Phar-Mor Fraud Fouls Future

By Arthur Markowitz

YOUNGSTOWN, Ohio — Phar-Mor faces an uncertain future following company disclosures that two top executives—who have since been fired—perpetrated "a fraud and embezzlement scheme" involving millions of dollars, forcing the deep discounter to take a $350 million write-off.

Phar-Mor called in the FBI and the U.S. attorney here to investigate "possible criminal wrongdoing" by the two officers, Michael I. Monus, a co-founder and former vice chairman, president and chief operating officer, and Patrick Finn, formerly chief financial officer. But as of Aug. 7, no charges had been filed against the two men, who were

(Continued on page 4)

Ames Stumbles Again On Road to Recovery

Must Revise Projections After Ad Cutback Misfires

By Pete Hisey

ROCKY HILL, Conn. — Ames' struggle to emerge from Chapter 11 continues.

"We're seeing progress in our negotiations with all constituencies," chief financial officer Peter Thorner told *DSN*. "Our comparable store sales were up 4% in July, reversing a trend over the past few months."

However, the company has had to revise its projections, due in large part to a decision to "reallocate" advertising spending on circulars in the first half, which resulted in a $50 million dip in sales compared to projections.

"We had indications, particularly from the East Hartford [prototype] store, that the [new specialty] departments were so successful on a word-of-mouth basis that we could try reducing our advertising," Thorner said.

Three and a half circulars were dropped in the first quarter, and sales dropped with them.

"Since each circular normally has a $10 million to $12 million impact on sales, we think the $50 million drop in sales [against projections] is attributable to the ad cutback," Thorner explained. "It was something we felt we had to try, and we didn't want to experiment in the latter part of the year."

Ames feels that the cutback in advertising is something that will work eventually. "It was just too soon," Thorner said. Once burned, the chain will maintain its traditional level of ads through the year, putting it back on projection.

***Ames' prototype** focuses on specialty concepts like Home as part of its strategy to emerge from Chap. 11.*

In a Form 8-K released to vendors in July, Ames reported that its projected sales will return to last year's levels in August and by December should easily exceed fiscal 1992 results.

The company projects sales of $172 million to $187 million in August, vs. $188 million in August 1991, but sales of between $447 million and $462 million in December compared to $426 last

(Continued on page 90)

Bradlees Remodeling Rolling On

By Richard Halverson

BRAINTREE, Mass. — Bradlees continues to refine its prototype as its remodeling program for 1992 passes the halfway mark.

Over the past two weeks, Bradlees celebrated the grand re-opening of seven more stores, pushing the count to 15 for the year. In October and November, Bradlees will reopen 10 more units, for a 1992 total of 25 remodeled stores. In addition, Bradlees relocated this April its unit in Taunton, Mass., increasing it to prototype size of 88,000 sq. ft. from 50,000 sq. ft.

For 1993, Bradlees plans to replace two smaller stores with prototype units and remodel 24 others.

By 1994, Bradlees expects to have completed its remodeling program, except for about 15 stores it deems too small to warrant renovation. A decision about either closing or relocating those smaller units remains pending.

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Pace Already in Place as 3 Clubs Race for N.J. Sites

PARAMUS, N.J. — Three major membership warehouses are striving to open clubs in this suburban New York City market—a retailing hotbed—with markedly different results.

Pace Membership Warehouse is the winner, while BJ's Wholesale Club may or may not be in the race, with Sam's Club seeking to just get to the starting gate.

The results of the three clubs' efforts denote the challenge facing all merchants looking to grow in the Northeast—the limited availability of sites, countered by the chance to recycle stores shut by bankrupt chains, along with increasing local opposition to new stores, with opponents citing environmental considerations to stop retailers.

Pace is due to open a 110,000-sq.-ft. club here in mid-October at the southeast junction of Route 4 and Route 17, two exceedingly heavily trafficked arteries. Pace has built

(Continued on page 88)

Underwood Speaks Out On Partnership, SPARC

By Laura Liebeck

Bill Underwood

TROY, Mich. — The words "communication" and "partnership" are interchangeable in the vocabulary of Kmart's top hard lines merchandising executive Bill Underwood.

As such, he will refer alternately to them quite often during the SPARC (Supplier Performance Awards by Retail Category) banquet, honoring the manufacturers who are best at fulfilling the unique needs of discount retailers.

As SPARC committee chairman, Underwood intends to stress the importance of the relationship between retailer and vendor in today's highly competitive and ever-changing retail environment.

"Everyone today is looking to satisfy the customer or consumer. It is paramount in why we have to work together," said Underwood, in an exclusive interview with *DSN* prior to the award banquet.

Underwood, who serves as senior vice president, general merchandise manager, hard lines, for the nation's second largest retailer, will be master of ceremonies this year, SPARC's 15th anniversary celebration.

(Continued on page 83)

Holiday Sales Predictions Mixed

Wall Street is Bullish; But Retailers are Wary

Nationwide DSN Report

The early predictions for holiday 1992 are mixed, but basically stack up like this: Wall Street is fairly bullish, retailer views can be summed-up as a customary "cautious optimism," while consumers are leaning bearish, according to several industry sources.

Speaking before members of the New York Society of Security Analysts, Ed Johnson, director of The Johnson Redbook Service, a division of New York-based brokerage house Lynch Jones & Ryan, said, "We fearlessly predict that sales for the holiday season will be up better than 6% over a year ago."

He added that while Christmas 1992 won't be a cash register victory, it will be "a bonanza compared to the 2% to 3% year-to-year sales increases we had last fall and a step in the right direction for a longer term sustainable general merchandise sales trends."

Discount retailers who scratch their heads wondering how Johnson can be so optimistic would be interested to know that when *DSN* asked Johnson how discounters and chain stores in particular would fare during holiday 1992, his forecast doubled.

He predicted that department store and mass merchant performance during holiday 1992 would be less than 6% over 1991, while discounters and chain stores would approach 12% improvement over the season last year. He said the outcome of the upcoming elections would not have a material effect on the holiday selling season.

George Jones, president of Rose's, said while Johnson's figures sound overly optimistic, he was glad to hear a forecast not brimming with gloom and doom. "More power to Mr. Johnson. Retailers have been hurt by gloom and doom forecasts which hurt consumer confidence," he said.

While Rose's is forecasting an increase in fourth quarter sales over 1991, "it is not because of the economy but because we will be reaping the benefits of remerchandising our stores to give more space to higher turning assortments," Jones explained.

Unlike Johnson, Jones believes the outcome of the presidential elections will "obviously be a major factor" in consumer spending in the fourth quarter.

Stephen Pistner, chairman of Ames, noted that he remains "extremely cautious" about the New England economy, but does expect the region to begin to rebound.

From a consumer perspective, The Conference Board reported its consumer confidence index registered a "stark loss of 11.6 points" for the month of July, and consumer's views about the future were even more bleak.

Less than 20% of the 5,000 consumers surveyed thought business conditions will improve, and only 14% expect that more jobs will become available and more than 22% anticipate there will be fewer jobs available—all of which reflect in consumer confidence compared with the survey conducted a month earlier.

In other projections for the balance of 1992, the National Housewares Manufacturers Association (NHMA) stated in its April *Housewares Indexes* newsletter: "The overall pace of growth in consumer spending in 1992, however, will be slow. This will be due to a slow rebound in employment and incomes." But the latest edition which was published in July stated: "The turnaround in consumer spending is firmly underway . . . and further improvements can be expected through the balance of the year."

TeleCheck Services, a leading check acceptance company, reported that its latest data "supports other signs of continuing weakness in the sputtering national economy such as high unemployment and declining consumer confidence."

Stuarts Banks on New Prototypes In Its Emergence From Chap. 11

FRANKLIN, Mass. — Stuarts Department Stores, just on the brink of emerging from Chapter 11, opened two new prototype stores earlier this month in its home state towns of Lawrence and Haverhill.

"We're thrilled with the early results," said Stuarts' president, Joe Ettore. "In Lawrence we're about four times over plan and at Haverhill we're just over three times the plan for the stores. That's been with no major advertising push."

In addition, Ettore reported the results were on transitional season goods and not on any clearance items.

The sites, former Ames stores, premiered with a number of new features. An expanded Gitano shop, twice as large as those in other Stuarts' stores, makes up part of the 60% soft goods mix. The apparel area has also been redesigned to provide a better flow from category to category, according to Ettore.

Changes made last year, including a move of the children's department to the front of the store, has been incorporated in the new look.

On July 23, Stuarts officially announced that the company and the committee of unsecured creditors filed a plan of reorganization and disclosure statement with the U.S. Bankruptcy Court for the district of Massachusetts.

As reported earlier, the reorganization plan calls for three cash payments to unsecured creditors: $5.2 million upon confirmation; $6 million on Dec. 31, 1992; and $5 million on Dec. 31, 1993. In addition, the plan provides for issuance of 80% of the common stock of the reorganized company to unsecured creditors.

According to Ettore, depending on when the plan is approved, the chain should emerge from Chapter 11 by mid-September. Stuarts filed for Chapter 11 bankruptcy protection in December 1990.

Wal-Mart Bows Speedy Check Writing System

BENTONVILLE, Ark. — Wal-Mart is rolling out chainwide a check writing peripheral to its POS terminals that speeds up the checkout of customers paying by check.

Wal-Mart has written its own application for the IBM Model 3 printer that conforms to the Unix operating system that the discounter is using for all electronic data processing systems.

The printer, labeled the IBM Express Check Writer by Wal-Mart, fills in all the information—name of the payee (Wal-Mart), date and amount—found on a check, so that a customer just has to sign. The in-store comptroller using the printer obtains the payment information from the POS terminals when the sale is rung up.

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MARKETWATCH

Glass Predicts 16 Units in Puerto Rico

FAJARDO, Puerto Rico — Wal-Mart could eventually have 12 discount stores and four Sam's Clubs in Puerto Rico, David Glass, president and chief executive officer, said at the opening of its initial discount store on the island, a 91,400-sq.-ft. unit here (see *DSN*, Aug. 3, page 1). Wal-Marts will be opened later this year in Arecibo and Mayaguez, with units already planned for Cayey, Guayama, Humacao, Isabela and Canóvanas. The chain plans to run pharmacies in its stores but small drug stores have complained to the island's Health Department and that could delay awarding of permits. *The San Juan Star* reported that Kmart has been waiting six years for pharmacy permits for its 12 stores.

Rose's Names Two Execs to Board

HENDERSON, N.C. — Rose's Stores has expanded its board of directors by two for a total of 12. The two new directors are Frank Daniels Jr., president and publisher of the Raleigh-based News and Observer Publishing Co. and Robert K. Montgomery, senior partner with the international law firm Gibson, Dunn and Crutcher.

Gigante Sales Flat; Profits Drop by 35%

MEXICO CITY — Grupo Gigante, the 131-unit hypermarket based here, reported sales for the first half of the year ended June 30 were up less than 1% to $818.6 million, while operating profits plummeted by 35% to $27.1 million (based on the conversion rate of 3,123 pesos to the dollar). Gigante has begun conversion of the Blanco stores, following the acquisition of 93.58% of capital stock of its parent, Blanes, S.A. at the end of April. Twenty of the Blanco stores were incorporated into the Gigante chain during June. Sales generated at these new stores represented 2.5% of consolidated sales for the company in the second quarter. In April, Gigante opened two new stores, in Guadalajara and Matamoros. Gigante had also entered into joint ventures with U.S. firms Fleming and Tandy Inc.

Sears Extends Office Center to Atlanta

CHICAGO — Sears has completed its initial national rollout of the Office Center at Sears Brand Central by opening home office departments at in the Southeast in five Atlanta area stores. This followed unveiling of the sections, which average 2,000 sq. ft. within a Brand Central, in June and July in 37 Southern California and Pacific Northwest Sears. Last year Sears tested the concept in 10 Washington and Richmond, Va., stores and then opened 60 centers in Eastern and Midwestern stores. The Atlanta stores are in the Northlake and Cumberland malls and in suburban Duluth, Kennesaw and Morrow, Ga.

Phillips Div. Sells Food-4-Less Chain

BENTONVILLE, Ark. — Phillips Cos., Wal-Mart's supermarket subsidiary, has sold for an undisclosed price the Food-4-Less warehouse-type supermarkets in North Little Rock and adjacent Jacksonville,, Ark., to Jitney Jungle Stores of America, which already operates MegaMarket supers in the two markets. Wal-Mart in October '91 acquired the $300 million, privately held Phillips, which then had 20 stores, for $8 million in stock to enhance the discounter's food expertise and strengthen the development and growth of the Wal-Mart SuperCenter. Phillips had owned MegaMarkets in the Greater Little Rock area but sold them in 1990 to raise funds to acquire Walton Enterprises holdings of Phillips stock. Little Rock is seen as a likely area for future Wal-Mart SuperCenters.

Caldor Plans to Open 23; Remodel 20

NORWALK, Conn. — Caldor plans to add eight more stores this year. The northeastern regional chain plans to open units this fall in Philadelphia, Long Island, Delaware and New Jersey. Another 15 new stores are planned for 1993, with one new market entry—Rochester, N.Y.—planned. The chain will also remodel about 20 existing units to its 110,000-sq.-ft. prototype next year. To support the new stores, Caldor is building a second distribution center in Newburgh, N.Y., which will open in late September. The chain will fund the accelerated expansion program through a combination of internal cash flow and external lease financing, said chairman Don Clarke.

Phar-Mor In Deep Despair

Deep Discounter's Fraud Fouls Its Future

(Continued from page 1)

fired three days earlier.

Company officials asserted that Monus had diverted about $10 million of its funds to the seven-team World Basketball League—which he founded and owned and which suspended operations at the end of July—and had used an undetermined amount for his personal use and "cooked the books" to boost Phar-Mor's inventories so that the privately held retailers could report pretax profits.

The personal, financial and merchandising implications of the alleged embezzlement have begun to snowball beyond impacting just Phar-Mor.

These include questions as to who will head the $3.14 billion company—the leading deep discount drug chain—should its mounting financial problems be successfully resolved and it avoid having to file bankruptcy.

David S. Shapira, Phar-Mor's co-founder, chairman and chief executive officer, who was named president and chief operating officer July 27 to succeed Monus, is viewed as tarnished by the situation, even though he initiated the financial review that uncovered the alleged scheme and quickly disclosed the retailer's situation. Financial lenders and suppliers are concerned over his leadership of Phar-Mor and the board of directors' supervision of the company's top management.

Phar-Mor's investigation followed a tip, later found to be wrong, that Monus had paid some WBL bills with Phar-Mor checks. But a five-day, round-the-clock audit of its books then turned up irregularities.

Phar-Mor questioned why its auditor, Coopers & Lybrand, failed to uncover the fraud, and replaced it with Deloitte & Touche. Coopers contended that it hadn't finished its audit as the chain's fiscal year had just ended, and that collusion among top executives made fraud discovery difficult.

The $350 million write-off which reduced Phar-Mor's net worth to $220 million, mainly real estate and inventory, resulted in an undisclosed loss for the fiscal year ended June 30, 1992, and indicated that previous profitable years weren't so. In view of this, manufacturers and lenders are wavering in their support.

Banks, financial backers and investors—including Giant Eagle, a privately held Pittsburgh-based supermarket chain owned by the Shapira family that holds about 35% of Phar-Mor's stock—may have to write off millions of dollars of investments.

Other known major investors include Corporate Partners, a Wall Street investment firm, that spent $200 million for a 17% stake, Edward J. DeBartolo Sr., a Youngstown-based shopping center developer who holds less than 10%, WCC, Westinghouse Electric Corp.'s financial services subsidiary, which bought $50 million of subordinated debt and invested $26 million for about 3% of the common stock and SteinRoe Prime Equities Fund of Chicago, which owns 35,000 shares.

Phar-Mor has been meeting with its banks, headed by PNC Financial holding company of Pittsburgh National Bank, to retain their support. The banks have hired Peat Marwick to audit the retailer's books and were arranging a standstill agreement to suspend collection efforts until the audit is finished. The banks had provided a $600 million revolving credit line, and underwritten $155 million of privately placed senior debt.

Phar-Mor's now evident losses, along with the $4.7 million loss on $746 million in sales reported by Drug Emporium, the No. 2 deep discount drug chain, raised questions about the deep discount concept used by other retailers.

Monus, who presided over the opening of Phar-Mor's 300th store (see *DSN*, Aug. 3, page 1) just before being fired, had said that the retailer would become a national chain with more than 600 stores by 1995. Phar-Mor's likely scaling back of this program—it now is eyeing closing at least 27 unprofitable units and suspending expansion planned for next year—could boost the health & beauty care merchandising opportunities of full-line discounters, drug stores and supermarkets.

There were mixed reports about the support Phar-Mor was receiving from suppliers. Some were reported to be shipping goods slowly while awaiting further developments, while others were holding back supplies.

Phar-Mor, as expected, is trying to put the best face on its possible business-life threatening problems. Shapira said Phar-Mor "remains a strong company," was working on a plan to become profitable again and will open 10 planned stores by Sept. 9.

Still, it has begun a retrenchment, firing over 125 headquarters and distribution center people as a start.

Discount Retailers: July 1992 Sales Results

Chain	Total Sales (In $ Millions)	% Chg. from '91	Comp-Store % Chg. from '91
Best Buy	$ 86.0	46.0%	15.0%
Bradlees	107.0	2.7	(1.0)
Caldor	130.0	15.0	10.7
Circuit City	245.2	15.0	6.0
Consolidated Stores	75.4	16.8	(1.0)
Dollar General	55.7	26.5	20.2
Family Dollar	102.6	25.0	16.0
Filene's Basement	26.8	12.0	(2.0)
Jamesway	49.6	(3.1)	(2.0)
Kmart[1] Kmart Pace	2,691.0 1,875.0 326.0	13.3 9.5 23.5	7.5 7.0 11.6
Rose's Stores	91.5	2.6	2.6
Ross Stores	76.0	7.0	(2.0)
Sears	2,439.5	(1.8)	(2.2)
ShopKo	116.5	(1.8)	(5.1)
Target	NA	15.0	3.0
Value City	43.5	8.1	3.6
Venture	116.5	20.5	9.6
Wal-Mart[1] Sam's Club	4,315.0 1,000.0	28.0 35.0	13.0 11.0

[1]Total corporate sales ( )—decline NA—not available. Source: Company reports

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Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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Retailers Reserved About 2Q Outlook

***Caldor chairman** Don Clarke: Much of the discounter's gains in the Northeast have come at other retailers' expense. 'We're gaining market share even though the economy's still pretty soft.'*

By Laura Liebeck

CHICAGO — Many of the nation's leading discount chains are looking at the second half of 1992 with some optimism, but they're still skittish about predicting an economic turnaround in a volatile, presidential election year.

While reserved about predicting what sales will do in the months to come, particularly at Christmas, many discounters are cheered by the early pace of back-to-school sales and other key indicators and predict a better than originally projected end to 1992.

In fact, toys are already selling at Kmart and the sale of back-to-school merchandise is doing well, said Bill Underwood, senior vice president, general merchandise.

However, with the overall retail/economic climate still uncertain, particularly due to the presidential election campaign, Underwood said the second half will "be a battle. People are cherrypicking. They're not filling up their carts the way they used to."

Wal-Mart's Ray Hobbs, vice president, general merchandise manager—interviewed at *DSN*'s annual SPARC (Supplier Performance Awards by Retail Category) banquet in Chicago—was reluctant to predict the future, saying only that "we'll keep going the way we do."

For Wal-Mart, that meant a 28% sales increase in July over last year and a comparable store gain of 13%.

However, in various parts of the country, it is difficult to tell if the long hoped for recovery is taking place. Caldor chairman Don Clarke, for example, noted that most of the company's gains in the Northeast have come at the expense of other retailers. "We're gaining market share even though the economy's

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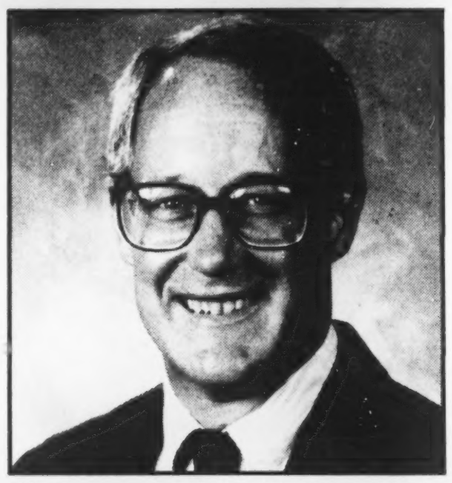


***Venture president** Phil Otto: 'The business has been so erratic. [August] started out slow, then this week [business] went through the roof. I don't see any radical changing of the consumer's mentality.'*

Discount Store Execs In Buying Mood for Fall Men's Apparel Show

By Jill Lettich

LAS VEGAS — The Men's Wear Apparel Guild in California (MAGIC) trade show in Las Vegas this week promises to be one of the busiest in many seasons. Rather than "just looking," this year there appears to be a renewed purpose to buyers' shopping expeditions to the largest men's wear trade show.

Retailers, buoyed by healthy first half men's wear sales, will be busy—especially discounters, who will be hustling for a strong denim brand to replace the Lee name.

VF Corp., Lee's parent, announced last month that it would change its distribution and take Lee brand apparel out of discount stores. This news—Lee is consistently a leading brand in all three major apparel categories and a staple at upscale regional chains like Venture and Bradlees—initially provoked anger in many discounters and created a sense of urgency to the shopping plans for MAGIC.

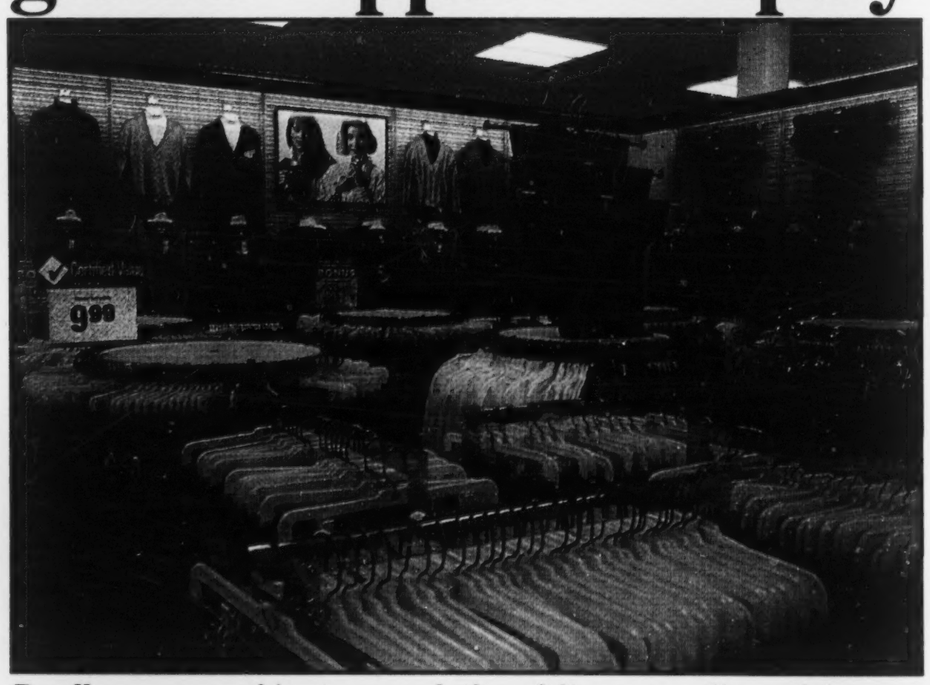
Though Lee previewed its discount store line, Riders, to its major customers before MAGIC, a number of regional chains said they would proceed cautiously before fully buying into the company's new brand for the discount tier. "We're going to make them work a little bit," said one.

At MAGIC, a number of vendors are likely to benefit

(Continued on page 36)

Bradlees Upgrades Apparel Display

By Richard Halverson



***Bradlees,** now working to upgrade the soft lines area of its evolving prototype, picked simple grid walls to showcase apparel.*

HACKENSACK, N.J. — Having worked on hard lines shortcomings, Bradlees has turned to better apparel presentation as the latest step in the evolution of its remodeled store prototype.

Occupying 50% of floor space, the new Bradlees apparel departments feature 10-foot high apparel grid walls that showcase goods in inexpensive, computer-designed displays that require neither associate training nor store design work to set up.

The high grid walls mean that customers' eyes have to focus on the apparel departments, rather than empty air, no matter where they stand in the store.

Bradlees intends to go back and add the new features to stores it started to remodel in 1990. And now that it is on its own, the regional chain of 127 stores can now start thinking of expansion in 1993.

Until its previous parent, Stop & Shop, sold it this spring in a public offering to raise cash for new supermarkets, Bradlees saw its net profits flow away to its parent company. That amounted to a pro-forma $20 million in 1991.

(As a new public company, Bradlees has declared its first quarterly dividend of 15 cents a share for the quarter ending Oct. 31, for a total payout of $1.65 million based on 11 million shares outstanding).

"We now control our own destiny," said Norm Chalphin, senior vice president,

(Continued on page 34)

Meijer to Debut 1st SourceClubs in Nov.

By Arthur Markowitz

GRAND RAPIDS, Mich. — Meijer plans to open its initial trio of SourceClub membership warehouses in November in the Detroit and Lansing, Mich., markets and follow up with at least six clubs starting next year.

The first 130,000-sq.-ft. clubs will be opened in Meridian Township, just east of Lansing, and in the Detroit suburbs of Fraser and Taylor. Meijer owns land for future clubs in the Westland suburb of Detroit, the Grandville suburb of Grand Rapids, the Grand Blanc Township suburb of Flint and the Norton Shores suburb of Muskegon, Mich., and two sites in the Greater Dayton, Ohio, area, one in Sugarcreek Township and the other at an undisclosed site.

SourceClub will be squaring off against three other wholesale clubs in five of these markets: Sam's Club in Flint, Lansing, Grand Rapids and Dayton; Pace Membership

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Mall of America Packs in Buyers, Gawkers

By Jill Lettich

BLOOMINGTON, Minn. — More than 150,000 people rushed to the new Mall of America here on its first day of operation, but retailers are still asking themselves if the crowds are coming for the entertainment or the shopping experience.

The largest mall in the nation and the first to combine upscale department stores with off-price retailers opened in this Minneapolis suburb Aug. 11.

Attracted by a 7-acre Knott's Camp Snoopy amusement park, a miniature golf course, movie theaters, nightclubs and restaurants, plus more than 300 stores, the first day crowd came ready to play and gawk.

Initial reports indicated there were more lookers than spenders. People paraded through and bought novelty and gift items for the most part, according to an informal poll of retailers. Chains that were brand new to the Minneapolis/St. Paul area understandably had the most traffic.

Most of the retailers are counting on the uniqueness of the Mall of America to create traffic. Customers will find upscale stores as well as off-pricers, mass merchandiser Sears, and Service Merchandise, a catalog showroom, all in one place. In addition, a number of stores that generally operate in strip centers have also leased space in the mall. However, few expect to change their base to mall locations.

The mall is neither a standard regional mall nor one of the new hybrid outlet malls. Instead, developers Melvin Simon & Assoc., Indianapolis, managed to attract the diverse retailers by promoting Mall of America as an entertainment complex.

With 40 million people expected in the first year (Disney World expects just over 20 million in its theme park) developers note that there should be enough customers to go around to both the upper and lower tier retail stores.

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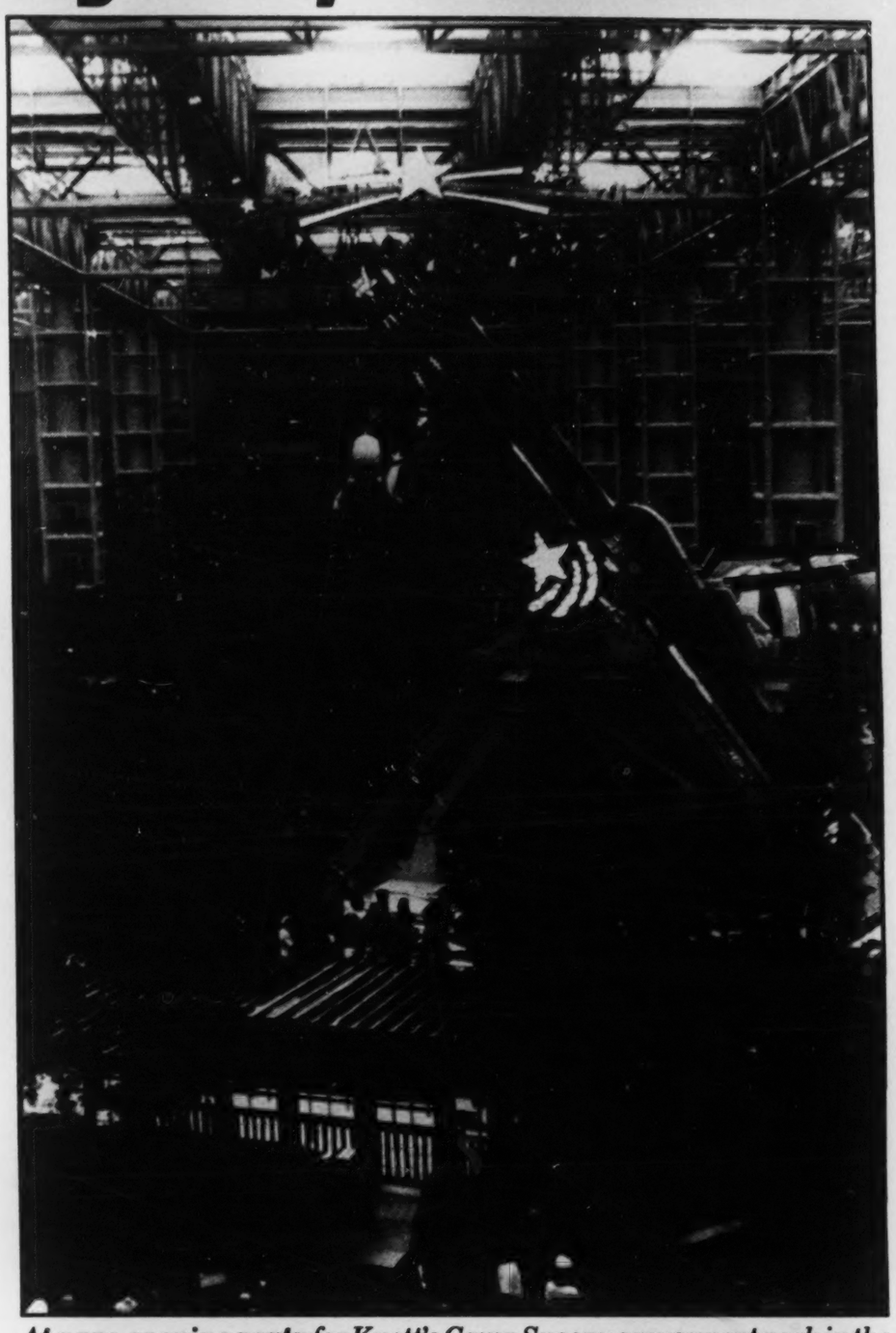

At a pre-opening party for Knott's Camp Snoopy amusement park in the mall, guests in formal dress rode the Screaming Yellow Eagle. (DSN photo)

Strange Bedfellows at Nation's Largest Mall

By Jill Lettich

BLOOMINGTON, Minn. — Clothes shopping takes on a whole new spin when you're talking about the Mall of America.

The new mall has made for strange bedfellows by combining upscale stores with off-pricers under one roof. It is a microcosm of the greater issues of differentiation and value pricing that now plague apparel retailers.

NEWS ANALYSIS

Macy's, Bloomingdale's and Nordstrom are all struggling to maintain their individual identities in an ungenerous climate for department stores. They are trying to put forth a fashion image with a mix of (many identical) designer labels in addition to their own brands.

Mall of America is saturated with competition for apparel customers, including specialty retailers The Gap, Eddie Bauer and The Limited. With primarily private label merchandise and a casual look that goes anywhere, these stores

(Continued on page 21)

First Half Discount Store Sales Run Hot and Cold

But Wal-Mart, Dollar General, Caldor Stand Out

Nationwide DSN Report

With a few exceptions, most discounters entered the second half of the sales year after a so-so first half, as same store sales for most chains barely stayed ahead of inflation during the first six months. Others lost ground as cool weather in the second quarter hurt same store sales gains, compared to first quarter results.

In terms of same store gains, Dollar General led the field with a 20.4% increase in the first half, tapering off to 18.8% for the second quarter.

Wal-Mart continued its strong showing with a 12% same store gain holding for the second period and the first half.

Same store sales at Caldor rose more in its second quarter than for the overall half: 7.6% for second period, compared to 5.5% for six months.

Pep Boys—Manny, Moe & Jack reported a 14% comparable store sales increase for the half and 18% for its second half.

On the minus side, Sears ended the half with a 2.2% same store decline for July after starting the year with a robust gain of 8.9% for February. The controversy over charges that Sears cheated customers on auto repairs cut deeply into consumer confidence and sales during the second quarter. The cool weather also left Sears sitting on stocks of air conditioners and fans. Same store sales declined 1.5% during the second quarter, dragging the first half gain down to a scant 0.5%.

Rose's closed 15 stores during the second quarter, leading to a 9.3% decline in sales. But same store sales for the chain fell 3.9% for the period and 2.6% for the half.

Hills, operating in Chapter 11, reported a small profit for the second quarter, but saw its same store results reverse to a minus 2.1% from a 3.8% gain over for the first six months.

Jamesway pared same store decline to 1% for the second quarter from 2% for the half.

Target reported a 4% same store gain for both the half and the last quarter. Kmart came with a 2.2% gain for the last quarter, improving a bit on 1.8% for the half. Venture's same stores sales improved by 5.2% for the half, after a 4.5% gain in the second quarter.

Discounter Sales, Second Quarter, First Half '92

Chain	2nd. Quarter Sales (In Millions)	% Chg. '91	Same Store Sales	1st Half Sales (In Millions)	% Chg. '91	Same Store Sales
BJ's Wholesale	$ 420.9	22.0%	NA	$ 800.1	25.0%	NA
Caldor	492.0	12.6	7.6%	904.5	10.9	5.5%
Clothestime	83.9	22.0	8.0	152.2	21.0	10.0
Consolidated Stores	176.7	15.0	(1.0)	395.2	18.1	3.0
Dollar General	216.0	25.3	18.8	403.5	26.2	20.4
Filene's Basement	107.6	12.0	(2.0)	218.6	11.0	(2.0)
Hills	358.9	(2.2)	(2.1)	710.8	3.8	3.8
Jamesway	204.2	(1.5)	(1.0)	386.7	1.4	(2.0)
Kmart[1] Pace	6,210.0 1,065.0	4.1 21.7	2.2 10.9	11,842.0 2,031.0	3.8 21.8	1.8 11.7
Pep Boys	309.2	18.0	16.0	584.7	18.0	14.0
Rose's	310.5	(9.3)[2]	(3.9)	611.5	(8.1)	(2.6)
Ross Stores	255.0	10.0	1.0	576.0	10.0	1.0
Sears	7,569.4	(1.1)	(1.5)	14,415.1	0.1	0.5
SportsTown	27.1	32.5	22.9	52.9	35.5	26.4
Target	2,306.0	16.0	4.0	4,460.0	16.0	4.0
TJX Cos.	753.6	16.0	4.0	1,424.6	14.0	2.0
Toys "R" Us	1,249.1	18.0	6.3	2,422.6	16.0	5.5
Venture	387.0	14.2	4.5	750.9	14.9	5.2
Wal-Mart[1]	13,028.5	26.0	12.0	24,677.9	26.0	12.0

NA—Not available or not applicable
[1]Total corporation
( )—Decrease
[2]Reflects closing 15 stores
Source: DSN research, company reports

Phar-Mor Faces Long, Painful Reorganization

YOUNGSTOWN, Ohio — Amid rumors that the 306-store deep discount chain would go out of business, Phar-Mor called back about 50 of its 1,000 laid-off employees. However, some vendors continue to refuse to ship merchandise to the chain, which filed for Chapter 11 bankruptcy protection in mid-August.

Meanwhile, former vice chairman Michael Monus, in a resignation letter to the board of trustees of Youngstown State University, said that he expected to be vindicated of public charges that he and former Phar-Mor chief financial officer Patrick Finn embezzled funds from the company and falsified financial records to obscure losses.

Finn's lawyer is quoted as saying that his client is cooperating with the FBI, the U.S. Attorney's office and Phar-Mor officials in an investigation of Monus' activities. The Warren, Ohio, *Tribune Chronicle* said that Finn was explaining to investigators how he and Monus altered financial records.

Phar-Mor and its former accountants, Coopers & Lybrand, are swapping lawsuits, Phar-Mor alleging that the accounting firm should have discovered the fraud and Coopers & Lybrand countering that it was lied to by top execs.

"Let's ascribe the blame where it belongs," said Coopers & Lybrand assistant general counsel David McLean. "It's his [chairman David Shapira's] desk where the buck stops." Phar-Mor has hired Irwin Cohen of Deloitte & Touche, a well-known retail accounting specialist, to head its new audit team, and has also hired independent counsel to supervise its internal investigation.

Monus and Finn allegedly embezzled $10 million, most of which was used to shore up Monus' World Basketball League, a professional league for players under 6-ft., 7-in. tall. The two also allegedly falsified financial documents to show the company was making more money than it actually was, which in turn forced Phar-Mor to take a $350 million charge and eventually file for protection from creditors.

Creditors, many of whom had little love for the hard-bargaining deep discounter, stopped shipments, and most have not resumed supplying the chain, although chairman David Shapira noted that the 50 recalled employees were union distribution personnel who work for Phar-Mor's Tamco Distributors subsidiary, and were needed to keep up with increased shipments.

"Because of renewed supplier confidence and increased vendor shipments of merchandise, we were able to bring back these workers," Shapira said. "Over the coming weeks, we anticipate rehiring more Tamco workers."

The 50 or so recalled distribution workers represent only about 7% of the roughly 750 distribution employees laid off. Spokeswoman Carol Robinson noted that "our creditor banks unanimously agreed to allow us to use $50 million in cash collateral. In combination with ongoing revenues from our stores, we will have enough capital to operate indefinitely." Phar-Mor is seeking debtor-in-possession financing to buy inventory for the holiday selling season.

Phar-Mor is also exiting three businesses that were recently added: home office furniture, office electronics and team sportswear. Presumably, those businesses were losing money, and the company is planning to return its attention to its core: H&BC, drugs, food and snacks.

Reorganization will be long and painful, assuming the firm survives. Preliminary audits of financial statements indicate the company lost an unquantified amount of money every year of its existence.

That has led some analysts and suppliers to conclude that the company is not now, and may never have been, viable. Due to the alleged falsification of records, it is unclear how many of Phar-Mor's stores were ever profitable on an operational basis. The company has gone to the capital market three times in the past year, selling a $200 million stake to Lazard Freres and increasing its revolving line of credit. The company is now worth far less than that.

In an attempt to avoid going out of business, Phar-Mor rehired 50 of its laid-off Teamster union workers, changed accounting firms and tried to regain the confidence of its creditors and vendors.

If the stores were turning an operating profit, and losses were the result of fraud or embezzlement, the chain, which has an enormous franchise with customers, should be able to find new capital. If the chain never made money, it will probably die. The internal audit should answer that question.

Monus and Finn allegedly used $10 million in Phar-Mor funds to cover debts of the now-defunct World Basketball League, of which Monus was president. Players were paid sporadically, and at the end, checks from Monus to league accounts bounced. The alleged scheme came to light due to an erroneous tip that teams were paid with Phar-Mor checks. The checks, it turned out, came from Monus.

Several major vendors are owed in excess of $1 million. FoxMeyer, the drug distributor, took the biggest hit, estimated at $74 million by FoxMeyer and $43 million by Phar-Mor. FoxMeyer has, in the past two years, lost Kmart and Wal-Mart as customers.

Other creditors include Fuji Film, Gibson Greetings, Nestle, Levy Home Entertainment, Bonneau, Gillette, Union Camp, Hershey, Keebler, Acme Frame, and photofinisher Qualex. All are owed between $1 million and $6 million, according to Phar-Mor's bankruptcy petition.

Retailers Reserved About 2Q Outlook

(Continued from page 1)

still pretty soft," said Clarke.

Venture, the large Midwestern regional chain, is not betting on a robust recovery anytime soon. "The business has been so erratic," said president Phil Otto. Sales gains fluctuate radically month-to-month, and even week-to-week. "This month [August] started out slow, then this week it [the business] went through the roof." Otto added, "I don't see any radical changing of the consumer's mentality that's going to change the retailing landscape."

Optimism is ringing more loudly at Clover, where one merchandiser told *DSN* that the Philadelphia-based discounter is projecting a slight increase for the second half, "but I think we'll do even better than the projections, especially in toys and trim-a-tree."

This merchandiser was heartened by the late first quarter pick up in sales of seasonal merchandise, particularly of patio furniture and lawn and garden products. Soft lines struggled through the first half but hard lines fared better.

At Consolidated Stores, the second half is projected to be stronger than the first, according to a buyer. "It'll be better than last year but it won't be great like five years ago, not with the economy."

July sales were flat, this buyer said but so far in August, "it's like someone turned the faucet on." He said back-to-school sales look to be "big" and the company is gearing up for Halloween and Christmas, noting that 1992 should be a good year for Halloween sales.

At Wholesale Depot, general merchandise manager Mark Ransdell is looking at the second half with "cautious optimism. It looks pretty good going into third quarter: good in hardware and in hand tools."

A divisional merchandise manager for a Midwest regional discount store chain said his company is projecting sales for the second half to tick up 3% from 1991. Seasonal categories will lead the way, the divisional said, specifically identifying trim-a-tree, toys, stationery—including greeting cards—and lawn and garden.

At Ames, whose future is still undecided, a group of executives echoed the sentiments of many Hardware Show-goers who are reserved in their optimism about the second half.

However, Dave Covitz, assistant vp, divisional merchandise manager, said he sees some opportunities for Ames in hardware gift items.

"We take the assumption we have to push like heck," said Covitz.

Among vendors, Rubbermaid president Wolf Schmitt is approaching the second half in a similar manner as Wal-Mart. Said Schmitt: "We had double-digit unit increase in first half and we're still looking to do that in the second half. Our philosophy is we won't be victims of the economic situation."

Rayovac also is projecting a good second half, according to John Daggett, director of corporate communications. Based on "pre-books" and the retailer reaction to several new packaging programs—pre-loaded battery packs, sidekick display of flashlights and gift packages of flashlights and batteries—"second half looks good," he said.

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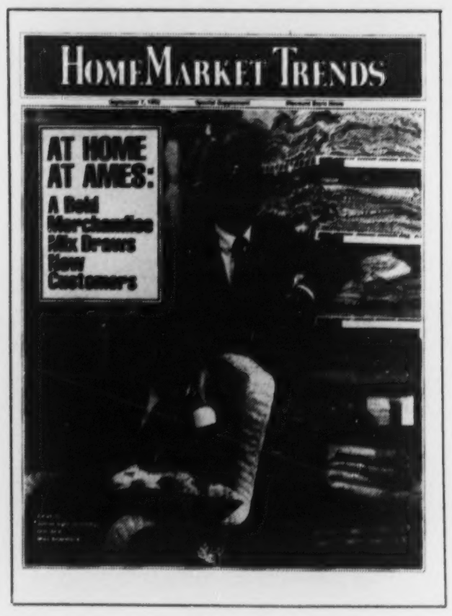

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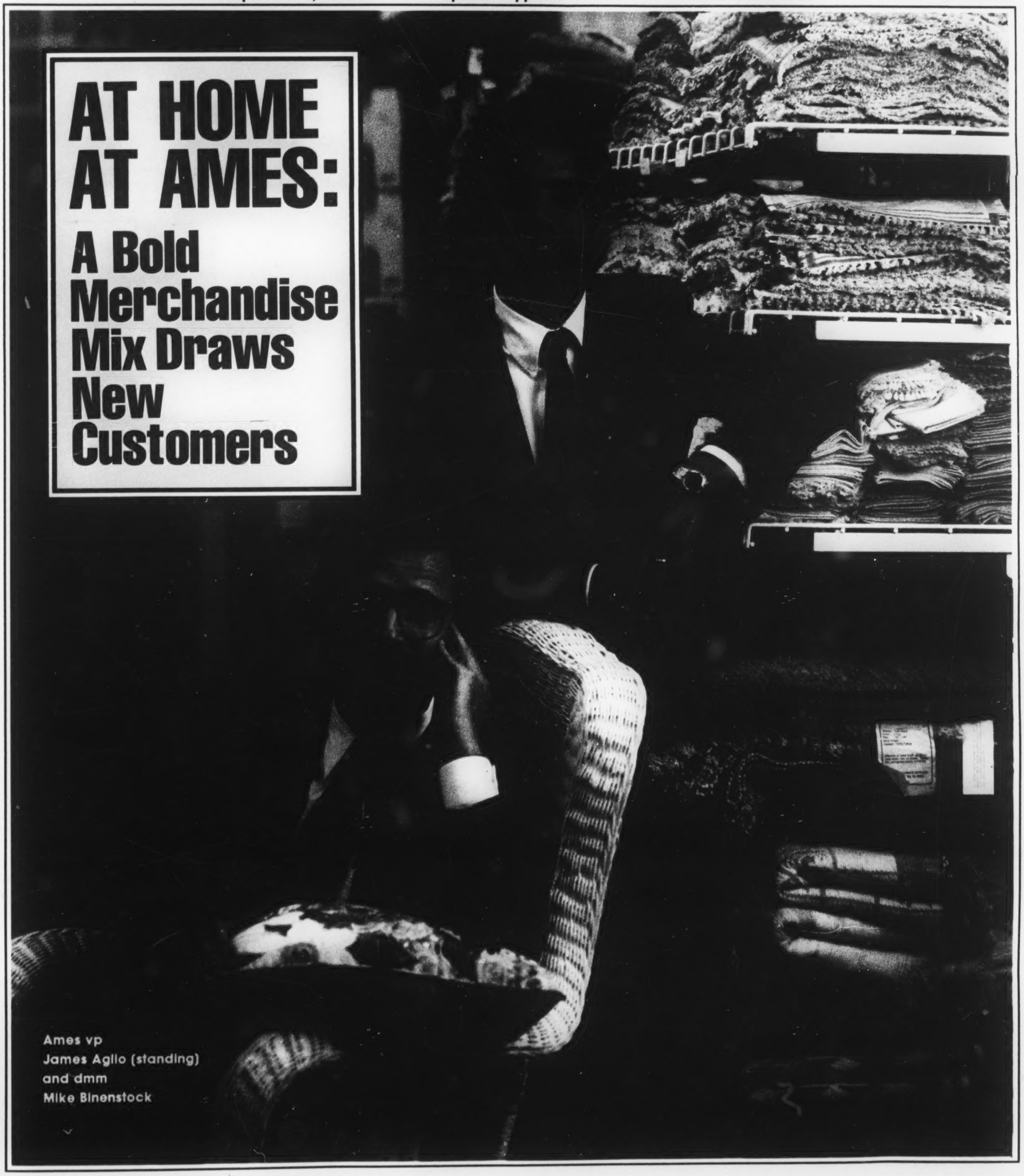
AT HOME AT AMES:

A Bold Merchandise Mix Draws New Customers



Ames vp
James Agllo (standing)
and dmm
Mike Binenstock

Recession Blunts Growth

Consumers Wary, But Discounters Continue to Carve Out Home Fashions Market Share and Upgrade Assortments

Specialty stores: *Same store sales were essentially flat last year.*

While discounters continued to gain in the home textiles arena, mainly at the expense of department stores and mom & pop independents, the growth cooled in 1991. The recession, which resulted in minimal same store growth and less spending on perceived luxuries, contributed, but discounters may have made the trend worse by cutting back on inventories in the fourth quarter and into early 1992.

However, the result should be positive for discounters in 1992, as a combination of pent up consumer demand and fresh product selections spur sales. For 1991, *HomeMarket Trends* estimates that discounters' total domestics sales rose only a few percentage points from the year before, with the dramatic exception of Wal-Mart and, possibly, Kmart as well.

Overall, though, the category is taking on increased importance to retailers. With the move to higher-end goods and expanded selections, home fashions has become a margin leader, with average margins in the low 30s, even after towels and entry level sheet sets are virtually given away. The addition of products like decorative pillows, shams, down comforters, and table rounds, with gross margins in the 50% range, has stimulated the department in terms of both increased sales and profitability.

The discount industry grew some 11% last year, but much of that growth was accounted for by adding stores, not making them more productive. Wal-Mart's sales, for instance, grew an outstanding 24%, but same store sales increases were under 10%, better than industry average, but off Wal-Mart's traditional pace. And while domestics certainly grew during the period, the real growth in Wal-Mart stores (as opposed to Sam's Clubs) seemed to come from other areas, like snacks and food, electronics and hardware.

Kmart and Target, on the other hand, seem to have built up their home fashions businesses, perhaps at the expense of some other departments. Kmart's new prototype is considerably larger than its once-aging store base average, but the home fashions department is proportionally even larger, about 25% bigger. Target's Greatland stores and larger traditional prototypes also feature gigantic home fashions areas. The two have invested heavily in advanced signage, specialized fixtures and real estate, and both have seen strong sales out of the department. Also, each has made commitments to pricey, but popular, "new" products, like down comforters and 100% cotton sheets.

Both Ames and Caldor have followed suit, as have ShopKo and Venture. Ames now carries 100% white goose down comforters and 100% cotton goods, as well as full bath coordinate shops and, in one store, a quilt/duvet cover nook. The company is also blending its housewares and textiles operations into a specialty business that it expects will create cross-shopping opportunities and status as a destination store.

In an attempt to build up sagging (or nonexistent) margins in staples like sheet sets, Target, Kmart and Venture have all introduced private label sheets in the past year, with Target's program the most ambitious, tying in as it does with the company's Merona apparel label.

Home fashions is following a cross-industry trend toward discount stores. Overall, department stores' share of the U.S. retail market shrank again last year, and discounters' share rose, to just over 40% of all retail sales. And while the home textiles industry as a whole dipped slightly last year, sales at discount outlets rose an estimated 2.4%.

Unencumbered by recession, that growth will probably accelerate in coming years. The category, as a discount staple, is still developing; discounters were not major players in the fashion-forward element of the market until very recently. As more fashion makes its way to discount shelves, the industry's share of the market is destined to grow.

Overall, home fashions account for approximately 4.5% of discounters' sales, although chain-to-chain, the percentage can be as low as 2% and as high as 7%. Larger and more productive stores tend to have a higher soft goods contribution to total sales, although some smaller chains also show a disproportionate percentage of textile sales. Fishers Big Wheel, for instance, promotes home fashions very heavily, and has home fashions sales of well over 5% of total sales.

On a sales-per-square-foot basis, domestics is one of the most productive departments in the discount store, although the figure varies widely chain-to-chain. Overall, sales per square foot average just over $200, but reach the high $200s at more productive stores.

And that figure will probably rise as well, as discounters

Top Ten Discount Retailers of Home Textiles

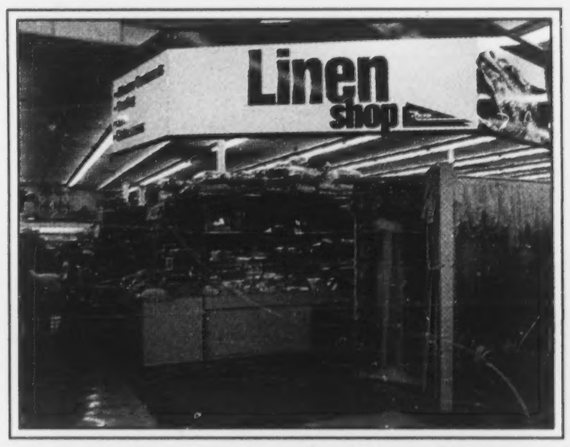
Chain	1991 Sales (in Millions)	1991 Textiles Sales (in Millions)	1991 Store Count
Sears	$19,805	$1,900	868
Wal-Mart	31,667	1,600	1,720
Kmart	24,749	1,550	2,249
Target	9,041	710	463
Mont. Ward	5,600	450	356
Meijer	3,500	400	65
Caldor	1,868	220	128
Bradlees	1,772	210	129
Ames	2,819	180	371
Venture	1,522	130	84

Source: *DSN* Research

Top Soft Goods Specialty Chains

Chain	1991 Sales	1991 Store Count
Linens 'n things	$234	143
Bed Bath & Beyond	168	34
Linen Supermarket/ Home Front	63	65
Curtains & Home	44	40
Strouds	33	45

Source: *DSN* Research



Upgraded product selections *draw customers into the domestics department.*

Recession Blunts Domestics Sales Growth

add upmarket goods and further expand their assortments. Already, the proportion of higher-priced all-cotton goods is increasing rapidly, following similar growth in the apparel marketplace. According to Cotton Inc., sales of 100% cotton home furnishings products rose an average of 8.1% in the past five years, versus 4.2% growth of other fabrics, and the share of 100% cotton in discount stores has risen from 0% to roughly 5%.

Wal-Mart, on net store sales of $31.7 billion, of which roughly 4.8% was in home fashions, sold some $1.5 billion in home textiles last year, up from roughly $1.4 billion a year ago. However, the introduction of some 150 new and highly productive stores, as well as a beefed up assortment, pushed the total a bit higher, to about $1.6 billion.

Kmart, which spent its money refurbishing stores, upgraded its assortment in certain areas, but slipped behind Wal-Mart, to $1.55 billion.

Sears' share of the market has remained stable. The company, which along with JC Penney, has dominated the home fashions industry for the past decade, is still in the lead, at a flat $1.9 billion, but Wal-Mart and Kmart are closing the gap rapidly, even though their departments are far smaller than Sears'.

In the specialty category, growth was almost nonexistent. Virtually every chain was flat, or grew only as much as it opened stores. Bed Bath & Beyond, perhaps the most productive in the category, reported nearly flat same store growth, the result, it said, of trimming inventory in a recessionary market and refusing to abandon its everyday low price strategy in the face of rampant promotions, particularly in the fourth quarter.

Relatively speaking, the specialty market is only a fraction of the mass market as a whole. The entire category, at least in terms of national and regional chains, sells only about as much as Target by itself.

Linens 'n things, the specialty industry leader, has turned its attention to developing bigger and more productive stores, rather than increasing store count.

Overall, discounters continue to hammer department stores nationwide. The exclusive products that the department stores once relied upon to differentiate themselves from the mass market are rapidly finding their way onto discount shelves. For example, down comforters, coordinated collections, designer names, 100% cotton, 200 thread count, and other luxury products are now as commonplace in Target as in its Dayton sister company.

That trend will continue. While the national chains are being extremely careful to keep in step with their core customers, they are finding that in most areas, the customer is quite open to buying nearly anything in a discount store, as long as the price is right. Kmart has been successful with light down comforters, and Ames says that its 100% white goose down comforters, selling at nearly twice the price of the Kmart pieces, are selling well. Target's 100% cotton program will be joined this year by similar programs at Kmart and Wal-Mart.

The only thing that seems to have slowed discounters' runaway success in the domestics business is the recession. People are putting off significant purchases, or getting an extra season from what they do have. However, discounters have still grown over the past year, just not as quickly as in 1989 or 1990. Much of that growth has come from customers that in past years might have shopped at department stores. ■

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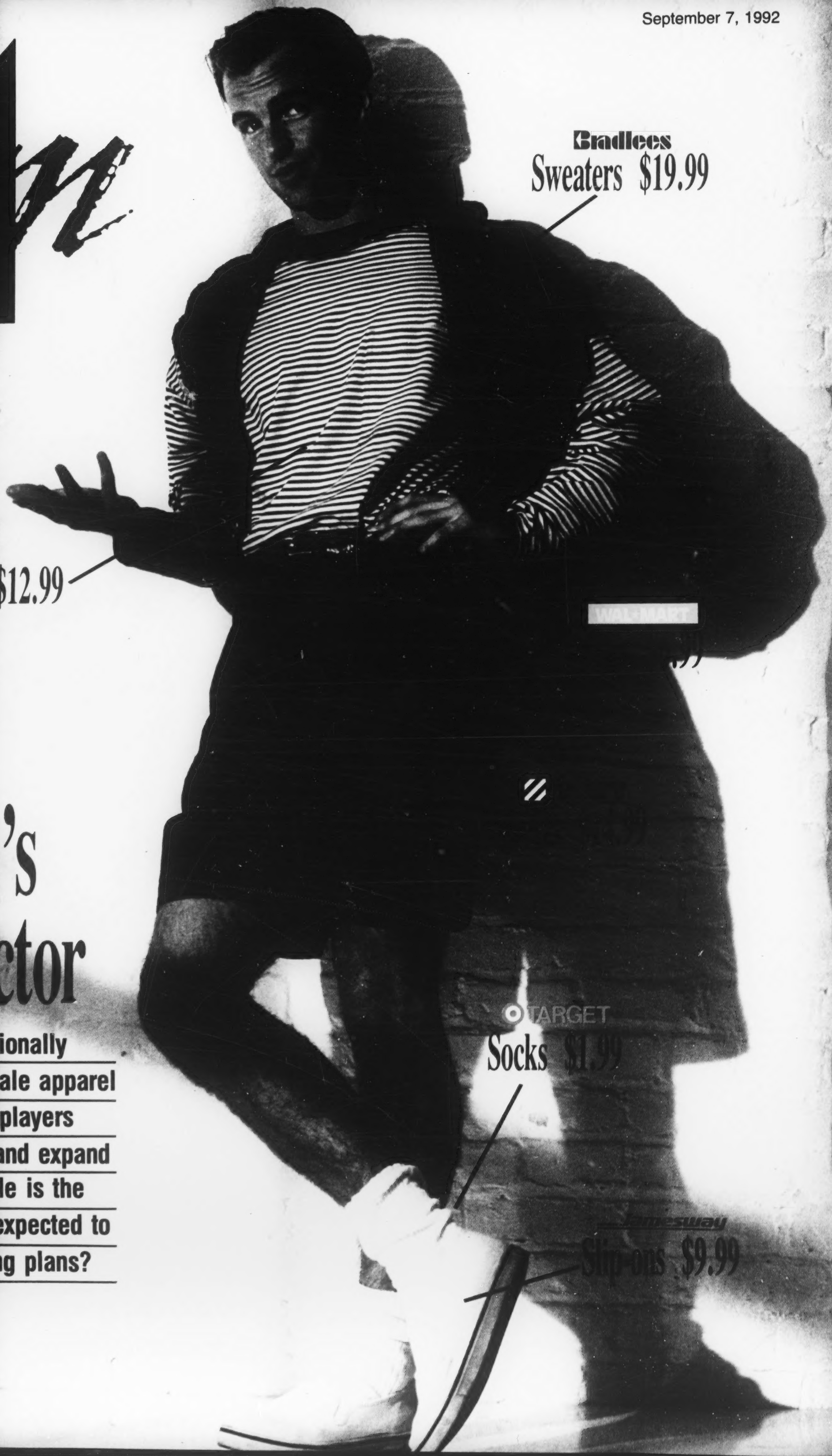
Special Supplement
Discount Store News

September 7, 1992

The Men's Wear Factor

Discount stores traditionally court the mature female apparel shopper. As industry players continue to improve and expand assortments, what role is the "man of the house" expected to play in their marketing plans?



Men's wear inches up

Men's wear moved ahead during the first quarter of 1992 from the previous year, despite a weak economy. Discount stores reported 1992 first quarter men's wear sales of $1.2 billion, up from $1.1 billion last year, according to The NPD Group, Port Washington, N.Y. The basic, staple items did well here, with such products as underwear, jeans and activewear showing strong figures. Department stores also show an increase going from $1.6 billion this year from $1.5 billion last year.

Discount stores again led in men's furnishings sales percentages for first quarter 1992, in terms of volume generated, compared to other retail outlets. Also, mass merchants held the No. 1 activewear and jeans positions in terms of volume generated. In men's tops and bottoms, sales at discount stores in these categories ranked second, according to NPD.

Men's apparel sales at discounters are faring well despite a weak economy. Strong sellers at these outlets are furnishings, jeans and activewear.

Men's furnishings—classified by NPD as underwear, socks, accessories, thermal underwear, nightwear and robes—at discount department stores accounted for $223.6 million for first quarter. This compares to discount stores' 1991 same quarter results of $198.2 million, a rise in the category of 4.9 percent.

Sales within the furnishing category consists of high percentages of underwear, socks and accessories.

Men's wear sales at discounters include $119.4 million spent on underwear in 1992's first quarter, compared to last year's figure of $94.3 million. This accounts for 10.3 percent of these outlets men's apparel sales dollars for 1992's quarter compared to 8.7 percent last year. Through the offering of brands like Fruit of the Loom and Hanes at rock bottom prices, discounters have become the outlet in which men's underwear is purchased the most. Socks at discounters made a nice show for the retailers, at $83.6 million, compared to $75.5 million last year.

According to NPD, furnishings sales ►

Where Men's Apparel is Bought

($in millions)

	Discounters 1st Qtr. Sales		Department Stores 1st Qtr. Sales		Specialty Stores 1st Qtr. Sales		Sears 1st Qtr. Sales		Off-Price Stores 1st Qtr. Sales		Other* 1st Qtr. Sales	
Category	'92	'91	'92	'91	'92	'91	'92	'91	'92	'91	'92	'91
Total Men's Apparel	$1,200	$1,100	$1,600	$1,500	$1,300	$1,300	$326.2	$354.6	$462.2	$331.9	$1,911.6	$1,913.5
Men's Tops[1]												
Knit tops	121.1	105.8	120.5	112.8	86.9	72.0	31.2	26.4	26.1	25.6	219.8	221.6
Woven sport shirts	84.9	97.1	132.4	117.0	87.0	87.2	18.7	24.7	26.8	16.7	136.4	129.9
Dress shirts	57.7	58.5	170.8	157.0	98.2	69.9	17.2	31.3	50.8	39.9	131.3	119.3
Sweaters	29.8	36.9	77.1	108.0	44.6	49.1	12.8	11.5	18.2	9.5	56.2	73.1
Other tops	39.6	35.7	22.6	23.4	25.7	20.2	10.1	10.4	6.4	7.6	44.6	48.8
Men's Bottoms												
Jeans	225.9	195.0	129.2	132.9	122.6	112.7	52.6	71.2	16.3	7.1	134.6	156.3
Slacks, pants	88.7	87.5	245.4	218.3	94.9	105.5	65.3	54.5	29.3	41.4	217.6	193.8
Shorts	36.5	30.6	57.3	37.7	15.5	20.6	8.2	8.3	10.4	12.1	82.2	67.6
Other bottoms	33.3	29.0	7.8	5.9	8.9	12.4	9.9	6.0	0.9	2.1	49.1	36.8
Men's Tailored Clothing												
Suits	27.4	15.9	196.6	124.3	258.8	319.7	1.7	2.4	102.8	59.4	100.4	128.5
Sportcoats, blazers	3.9	7.8	53.3	79.5	100.3	77.2	4.7	6.2	26.7	5.7	68.1	70.8
Men's Outerwear												
Outerwear	42.5	66.8	85.1	182.8	152.5	220.9	23.3	34.2	69.5	46.3	231.3	269.8
Men's Furnishings												
Underwear	119.4	94.3	63.7	52.9	11.9	15.5	13.5	20.1	15.2	7.0	94.4	77.5
Socks	83.6	75.5	42.1	45.3	20.9	15.5	11.0	10.0	13.6	14.4	76.8	67.1
Accessories	46.7	24.3	110.5	49.3	79.3	39.5	15.3	8.4	30.3	18.7	105.1	51.9
Thermal underwear	10.5	15.8	4.7	2.5	1.9	4.1	3.6	5.9	0.2	0.6	11.0	15.3
Nightwear, robes	10.0	12.5	13.6	15.8	2.6	7.0	7.0	2.9	1.6	1.5	8.4	14.5
Men's Activewear												
Sweats[2], warmups	91.0	79.6	62.7	53.4	31.5	36.4	12.9	20.3	6.9	10.4	131.4	113.6
Swimwear	6.4	6.1	4.8	5.0	4.0	1.1	0.9	—	2.7	0.6	15.9	17.1

Source: The NPD Group, Inc.

*Includes JCPenney, Montgomery Ward, direct mail, factory outlets, warehouse clubs and food and drug stores.

[1]Fleece shirts not included under men's tops.

[2]Includes fleece shirts, pants and shorts.

at Sears generated $35.1 million for first quarter 1992 down 9.8 percent from last year to $38.9 million. Underwear sales at Sears accounted for $13.5 million in first quarter 1992, down 32. 8 percent from 1991's first quarter results of $20.1 million.

Fleece tops and bottoms, not grouped under men's tops or bottoms according to NPD, but under activewear, boosted sales in the category for discounters, generating $91.0 million for 1992's first quarter, increasing 14.3 percent from the year before.

Lee, which is in the process of pulling out of discount stores, along with Fruit of the Loom and Hanes are some players that have helped to draw the fleece customer into discount stores. In-store merchandising techniques such as folded presentations and color displays contribute to the success of the basic fleece at these operations. Discounters sold the greatest amount of this product, at $91.0 million. Department stores, having the next highest figure in this category, sold $62.7 million.

Men's tops accounted for $2.0 billion across total retail outlets. Department stores generated 32.1 percent of its men's wear in this category.

Consumers left more apparel dollars at discount department stores than at any other retail outlet last year.

Last year, men's tops at department stores accounted for 33.7 percent of its men's apparel sales. At discount stores, 28.7 percent of its men's apparel sales were in tops this year. In 1991, discounters garnered 30.9 percent of the men's wear category sales through tops.

Sales of knit tops at discounters generated 10.4 percent of its men's wear sales. At Sears, according to NPD, 9.6 percent of its men's wear dollars came from the sale of knit tops.

Department stores generated $170.8 million of its men's wear sales in dress shirts. That figure represents about 10.5 percent of total men's wear sales of these outlets. Off-pricers accounted for 1992 first quarter sales of $50.8 million in dress shirts, which was 11 percent of its men's wear total.

The sale of men's sweaters, though still on a decline, showed department stores with the highest percentage of sales in men's wear. Department stores sold $77.1 million in sweaters in first quarter 1992, compared to $108.0 million the previous year. Discounters fell for this period as well, with $29.8 million, down from $36.9 million.

Discounters again also took the second position in men's bottoms for first quarter 1992, accounting for $384.3 million in mass merchant sales in this category, increased from last year's $342.2 million. Sears, according to NPD figures, generated 41.7 percent of its men's wear sales in men's bottoms. This is an increase from 39.5 percent last year for the period.

The chain's slacks and pants sales were 20.0 percent of its men's bottoms sales, with that section alone helping to boost total sales for Sears in this category. Sears' strength in the category is bolstered by the marketing and sales of brands, particularly Dockers.

Discounters can attribute a healthy 19.5 percent of its total men's wear business to its denim sales with such mass market names as Lee and Wranglers being heavy hitters. A sweet price tag, coupled with good quality is helping discounters fare well in its sale of denim, perhaps attracting Gap wannabees into the store. Mass merchants have enjoyed first quarter 1992 denim sales of $225.9 million up from $195.0 million the year before. Department stores generated $129.2 million in jeans, down from last year's $132.9 million. With Lee pulling out of the discount store market, third-quarter results such prove interesting.

The discount market does not offer much in the way of men's tailored clothing. Tailored clothing generated 29.8 percent of its men's wear sales for specialty stores. Off-pricers generated 29.6 percent in the category.

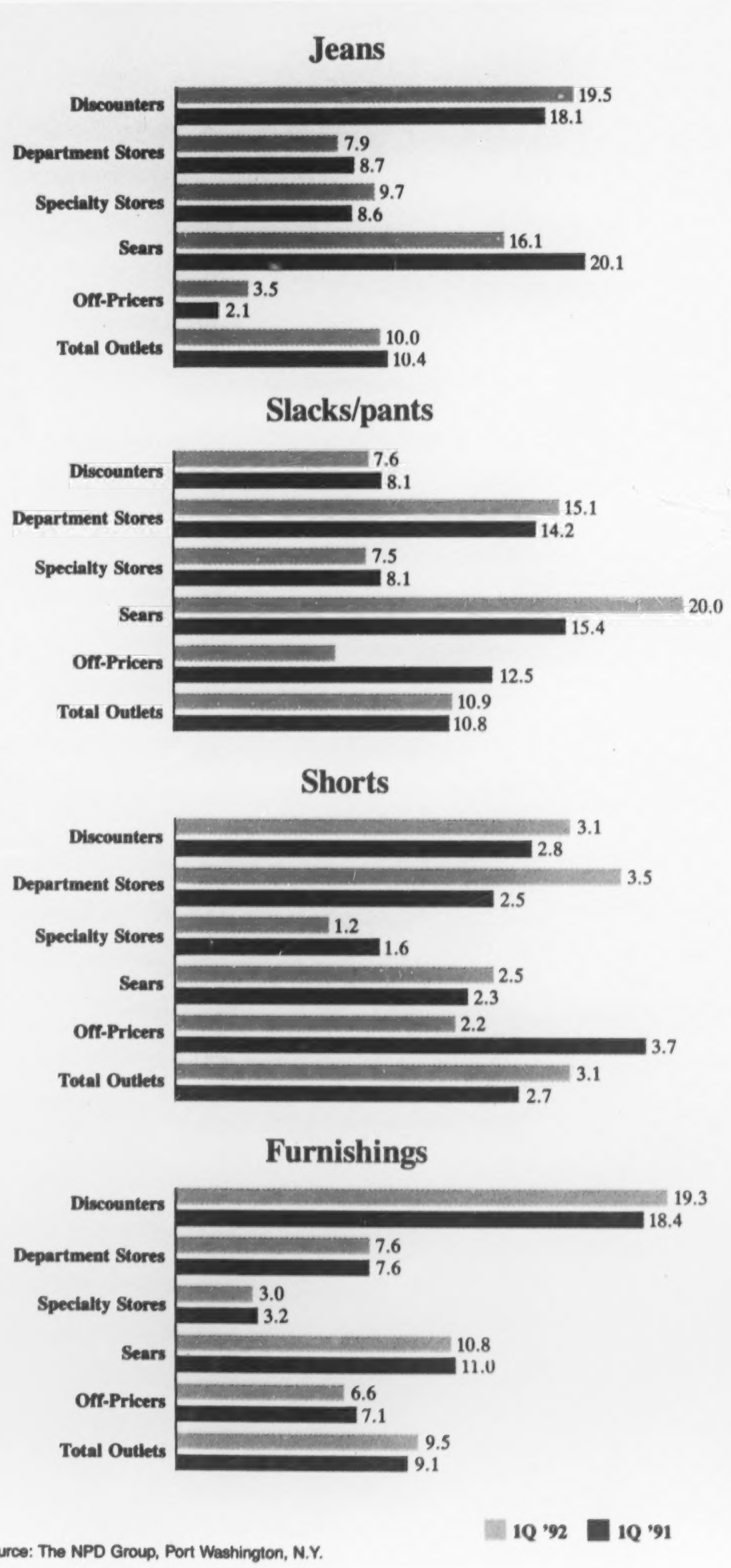
Specialty store sales led across the board for men's suits in first quarter of 1992 although these outlets saw a 19.0 percent decline, dropping to $258.8 million. Department stores, at 58.2 percent of its men's wear sales, accounted for $196.6 million in 1992 from $124.3 million the previous year.

Off-pricers showed growth in both suits and sportcoats and blazers for first quarter 1992, which might be described as a mixed blessing for an ailing tailored business.

Leaving tailored clothing to the specialty, department and off-price stores, gives discounters the ability to focus on out-of-the-office attire to draw in their men's apparel dollars. Although they may be missing some suit separates dollars, concentrating primarily on casual garb is a formula that will continue to fuel mass market growth.

How men's apparel measures up

(Percentage of men's wear sales per classification by outlet)



Source: The NPD Group, Port Washington, N.Y.

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Ties Loosen Knot in Men's Wear Sales

By Jill Lettich
Nationwide DSN Report

Industry watchers generally agree that accessories do well during a recession.

But while a woman can buy a faux pearl necklace to liven up last year's outfit, men's accessories don't come under the same "fashion fix" heading.

Or do they?

According to a number of retailers, the men's accessories market has been holding its own and has helped fuel a men's wear comeback. According to MRCA Information Services, men's wear sales for the year through spring 1992 were up 1.6% to $11.7 billion.

Neckties, hats and belts are now among the specific bright spots within the men's accessories category. For the upcoming MAGIC men's wear trade show in Las Vegas, buyers are sure to be eyeing the newest trends in this apparel area.

"Our men's accessories are up for holiday and still growing," said Maxine Clark, executive vp, Venture Stores.

At Venture, as at other discounters, the explosion of baseball caps as a must-have accessory and the popularity of trendy conversational neckties helped bolster the category.

A number of retailers worked on expanding the success of accessories even further. Rather than relying on trend items, many revamped accessories departments, including fixtures and signage.

According to Clark, Venture's sled fixtures for belts have "energized" the belt business for the St. Louis retailer.

And Sears has updated its accessories fixturing.

Caldor, Oceanside, N.Y., displays standard patterned ties along with updated florals, paisleys and geometrics. (DSN photo)

"We've put in new wooden fixtures which makes the shops more customer-friendly," said Meg Rist, national product development manager, Sears. "We've designed a more coordinated department that is easier for us to maintain and easier for housekeeping."

Vendors such as M. Aron are also getting into the act. As a licensee for Gitano neckwear, the company provides spinners and point of purchase placards to help retailers merchandise the products. William Aron, vp, noted that Meijer, Hills and Jamesway are some retailers that have made strides in presenting ties and accessories.

Another sign that the men's accessories market is burgeoning is its transformation from a seasonal to a year-round business, despite the peaks at Christmas and Father's Day. Some items, such as gloves and small leather goods, are favorite gift products, but most of the apparel accessories in the men's department are fashioned for year-round appeal.

"There are invariably peaks during the year, but we design our department to sell day-in and day-out," said Rist.

Clark agreed that Venture's business has also overcome some of the between season valleys. In particular, caps are withstanding the test of time. The peaks for that item have more to do with the sports seasons than retail buying appointments or Mother Nature's schedule.

At a specialty store like Casual Male Big & Tall, the focus is practical, according to Larry Kelley, president and ceo. The chain also attempts to meet the everyday needs of its customers in all seasons.

"We have the belts and neckties our customers want, but we don't go overboard even during holiday," he said. The chain has an assortment of private label merchandise in all categories, including neckties.

Kelley noted that during holidays, the store remains true to its basic philosophy. "We stick to our guns. I want our customers to know who we are and what we stand for."

Aron thinks discounters may be letting too many young men pass through the hard lines department without luring them into the apparel area.

Aron, as the licensee for Gitano neckwear, sees potential in designing young, lifestyle accessories that appeal to the same customer who goes to Kmart to buy CD racks.

The tie styles currently doing well under the Gitano label include "conversationals." These include fun patterns featuring tools or other items on ties. They are primarily a take-off of ties designed for the better market by Nicole Miller. But, unlike Miller's ties, Gitano's range of neckwear does not exceed $15.

The young men's market bol-

(Continued on page 22)

Men's is Only Apparel Group on Rise

Nationwide DSN Report

The latest statistics from MRCA Information Services should put men's wear buyers in a good shopping mood as the MAGIC show approaches.

First half comparisons of 1991 and 1992 show that of all the apparel categories, only men's wear increased in that time frame. All of MRCA's figures compare January to June 1991 to January to June 1992.

Dollar volume for men's apparel was up 1.6% to $11.7 billion for the first half of 1992. Women's apparel was down

(Continued on page 22)

Men's Apparel Sales By Outlet
(1st Six Months 1992)

Outlet	Dollar Volume (In Millions)	% Change from 1991
Department Stores	$3.3	0.3%
Discounters	$2.3	(5.9%)
Off-Pricers	$1.0	11.5%
Mail Order/Catalog	$0.4	(15.8%)

( ) denotes decrease
Source: MRCA Information Services

PATTERNS

A Comparison Shopper's Mall

(Continued from page 5)

attract an array of customers. But giving them a run for the money are off-price retailers in the mall, notably Filene's Basement and Marshalls.

Consumers will have to choose between the cache of buying at a well-serviced department or specialty store (at higher prices) or taking a chance that half a season later the same item will find its way to the off-pricers.

Already there were signs that a savvy shopper could do well at Mall of America. The Limited Express store in the mall, for instance, had all fall merchandise displayed. But one floor up, Marshalls featured a summer dress with the Express label for $40.

Obviously a new Express store would not open with clearance merchandise. But what's going to happen in December? Will consumers chase down the better priced Express clearance merchandise by comparison shopping in both stores? It is easy enough since they are in the same mall.

JILL LETTICH
Assoc. Editor

Department and even some specialty stores have another disadvantage: the lead time they once had in presenting trendy apparel has been greatly diminished. On average, off-pricers are considered to be half a season behind. But with more consumers preferring to buy for the current season, the time lag is blurred.

In terms of fashion styling, the lag is virtually non-existent. At Mall of America, while Bloomingdale's displayed designer Donna Karan's clothing in the hot color of the season, grey, Filene's Basement featured Evan Picone knit separates in the same trendy shade. Even Sears had generous helpings of grey pinstripes among its back-to-school selections.

With a varied mix of retail formats awaiting the 40 million visitors expected to pass through its doors, Mall of America will be an interesting study in consumer buying behavior. It could reveal what "value" actually means to an average shopper.

First Half Men's Dollar Volume Up

(Continued from page 20)
4.4% in dollar volume for the same period, MRCA said.

Men's wear accounted for 26.5% of all apparel sales for the first six months of 1992, compared to 25.3% of sales for the same period a year earlier.

MRCA also found that in the first half, 49.7% of men's apparel was sold at non-sale prices. A year earlier, 48.7% of sales was at full price.

The men's wear increase was confined to some "hot" areas:

- Suits' share of the men's wear dollar market was up 8.9% for the first half of 1992 compared to 7.8% for the year-earlier period. Dollar volume was up 15.9% to $1 billion.
- Ties naturally followed suits, accounting for a 2.6% share of men's apparel, up from 2.2% a year earlier. Dollar volume for the category was up 23.1% to $305.9 million.
- Shorts remain a retail favorite. They accounted for 7.3% of men's apparel sales in the first half of 1992. Dollar volume for shorts was up 15.8% to $855.2 million.

Sweater sales were down 27.4% to $311.4 million; outerwear jackets were down 10.6% to $521.7 million.

The young men's market (ages 16 to 24) performed poorly for the first half. The decrease of young men's market share from 20.2% in 1991 to only 17.2% in 1992 helps explain why "older" categories such as suits and ties performed better in the survey.

Among retail outlets, department stores and off-pricers led the charge for the first half of '92. But off-pricers like NBO benefited from a resurgence in suit sales and were competition for department stores.

For the first half of '92, however, MRCA reported men's wear sales dawdled at full-line discounters and in mail-order catalogs. Men's wear dollar volume for discounters for the first half of '92 was $2.3 billion, a 5.9% decrease from the same period a year earlier.

MRCA said "even the belles of the ball (Kmart/Wal-Mart/Target) suffered tough sledding" in men's wear for the first half of the year. For them, overall men's wear dollar volume was down 0.8% and men's wear dollar market share declined to 11.7% of sales for that retail grouping compared to 12% a year earlier.

However, discounters are right behind department stores in overall men's wear sales.

MRCA uses a diary questionnaire sent to 12,000 households to compute its results.

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Men's Comeback Spurred By Ties

(Continued from page 21)
stered tie sales by leading a dress up trend. According to Aron, young shoppers are putting on ties with casual shirts, in demin and chambray styles, to go out at night.

In addition, a more relaxed dress code at many companies means that men are wearing shirts and ties, but not necessarily suits. This opens the way for fashion forward looks and casual, fun ties.

This trend comes with a corresponding statistic for retailers to savor. According to MRCA, men's dollar market share for ties was up to 2.6% from 2.2% for a year through spring 1992. In that same period, dollar volume for ties was up an impressive 23.1% to $305.9 million. It was the largest volume increase in all apparel categories, reported MRCA.

Ties tend to be high-margin items, another reason they are a retailer favorite. According to Aron, some retailers have 58% margins on their neckwear.

Aron expects neckwear sales to slow somewhat, but is reacting to the changing market with new styles. Stripes are on the rebound, and classic patterns like paisleys are set for a return, though in new colorations, Aron said. The company will also introduce knit styles for the MAGIC show, he noted.

Venture's Clark also cautions that growth will continue, but it is likely to slow somewhat. In the caps area, she expects styles and sales to be kept fresh with bolder lettering and block shapes.

Belts are also a healthy accessory area. This corresponds to the growth in casual men's pants styles, according to Rist.

Bradlees Upgrades Apparel Display

(Continued from page 1)
store operations during a tour of the newly remodeled Hackensack store. "We no longer have to share our cash flow. All of it is reinvested in our own company."

When Bradlees does begin expanding once again, it will concentrate on its core market in the Northeast corridor, Chalphin said. The two Virginia stores, Petersburg and Portsmouth, will remain the exceptions, he added.

At a cost of more than $1 million per store, Bradlees expects to remodel 75% of its stores by 1995 and will seek to relocate the remainder of undersized or underperforming stores.

One of the relocated units will re-open in Taunton, Mass., this November, moving into a prototype size store of about 88,000 sq. ft. from a 50,000-sq.-ft. building.

"The entire apparel display is new," Chalphin said. The apparel walls have the advantages of being made of inexpensive, lightweight and interchangeable grid racks that the merchandise mostly conceals, Chalphin said. Accordingly, the merchandise, rather than the fixtures, stand out.

Contrary to the trend to emphasize brand names through signage, Bradlees prefers to "let the merchandise sell itself through presentation, rather than overwhelm customers with brand signage," Chalphin said.

In one of the few exceptions, four ceiling hung banners promote the American Greetings lines of greeting cards and gift wrap.

Bradlees increased cards space by about 25% to 160 linear feet, Chalphin said. In October, Bradlees plans to start testing American Greetings' new interactive kiosk in 5 to 10 stores. By using the computerized kiosk, customers can custom design their own greeting cards, choosing from hundreds of options.

To set up the apparel displays, store associates work from a soft lines version of a hard lines planogram, Chalphin said. It describes in minute detail exactly how to lay out each apparel display.

Their hallmarks are simplicity and ease of reproduction, so displays are standardized in every store, he said. Apparel displays "require no pinning, no tucking, no stretching," Chalphin said.

In its new prototype, Bradlees devoted no more space to apparel, which remains at 50% of selling space, Chalphin said, but the grid walls make apparel more visible.

In designing its new prototype, Bradlees' in-house designers have one goal: keep it simple, Chalphin said.

Through simple displays "the merchandise pops out," he added. "No matter where you are in the store, you see dominance in apparel."

After increasing hard lines skus by 15% to 20% in '91 remodels, Bradlees "feels pretty comfortable with hard lines" Chalphin said, and plans no major changes.

Chalphin acknowledged that Bradlees had hurt itself in the past by cutting back on hard lines, but sales in hard lines increased by about 8% in the remodeled stores.

But Bradlees does plan to expand food & snacks and add pet food chainwide. The remodeled prototype now offers a 40-ft. gondola of pet foods facing a 40-ft. run of pet supplies and accessories.

In addition, the Hackensack store offers a sit-down food service court. With seating for 20, the new food service increases food sales by 50% over the basic snack bar approach, Chalphin said. Bradlees now offers brand names in food, such as Dunkin' Donuts and Hebrew National hot dogs.

Except where Bradlees would compete with a mall food court, the chain plans to add sit-down food service in every store large enough to accommodate it.

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Discount Store News®

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SECOND CLASS

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VENTURE'S TURN TO SHINE

Regional discounter honored as 'one of the most productive chains in the industry'

See stories on pages 3, 12, 133

Venture chairman Julian Seeherman accepts congratulations after receiving Discounter of the Year award at the 15th annual SPARC banquet.

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Tough Challenges Ahead for New Sears Exec

By Arthur Markowitz

HOFFMAN ESTATES, Ill. — Sears has received a mixed grade for picking an outsider to head up its troubled merchandising group, but the executive, Arthur C. Martinez, said he would need time—at least three or four months—to study the retailer and develop plans to improve its business.

Martinez, 52, who had been a vice chairman of high fashion retailer Saks Fifth Avenue, took over as chairman and chief executive officer of Sears Merchandising Group Sept. 1. But he began meeting with group executives and soliciting ideas as soon as his appointment was announced in mid-August.

His biggest challenge, trade observers said, may be reducing the group's expenses even further by executing such tough decisions as closing down unprofitable operations and stores and continuing to shrink its work force, while refining the core merchandising business so that past changes like the rollout of power departments produce greater sales and profits.

Arthur C. Martinez

Martinez's appointment came as the $31.4 billion Merchandising Group is in the midst of relocating its 5,000-person headquarters staff from the Sears Tower in downtown Chicago to its new home in Hoffman Estates.

The group's relocation and previous hard decisions by Edward A. Brennan, Sears chairman and chief executive officer, may have made Martinez's task easier. During the past few years, Sears has trimmed its merchandising expenses by almost $900 million, with another $100 million in cuts due next year. A spokesman noted that Brennan has already carried out such difficult moves as cutting about 50,000 jobs, more than 15% of its work force, during the past three years, eliminating layers of headquarters, regional and district management, spending heavily to phase in state-of-the-art computer systems to speed up merchandising decisions and provide better customer service, and consolidating warehouses and distribution centers into fewer and more efficient facilities.

Martinez's appointment seems to free Brennan to spend more time on plotting Sears' overall direction and growth. Only the Merchandising Group and Dean Witter Financial Services group report directly to Brennan. Last year, Sears promoted James M. Denney to vice chairman, with the Allstate Insurance group and Coldwell Banker Real Estate group reporting to him.

Trade observers were pleased that Sears had gone outside the company for "new blood" to head its retailing operation, but were surprised that the executive had a stronger financial and administrative background than merchandising experience.

Martinez was in charge of all Saks' administrative functions since he became its vice chairman in 1990. He also served as Saks' executive vp, administration, and senior vp and cfo.

But the Sears spokesman noted that from 1987 to 1990 Martinez had served as the chief executive responsible for the retailing division of Batus, Inc., which includes Saks and four other department stores. Batus subsequently divested its merchandising division, selling Saks to Investcorp., a holding company whose other retailing interests include Sports Unlimited.

As an outsider, Martinez isn't viewed as committed to the Sears mystique and therefore is likely to shake up the retailer, even disposing of the unprofitable $5 billion catalog business that was the start of Sears 106 years ago. He is also expected to use his fashion and clothing industry contacts to try and strengthen Sears apparel business, perhaps its weakest category.

The catalog business is the one merchandising operation security analysts and trade observers most often said Sears should divest. But other possible merchandise divestments are either too small to make any impact on Sears expenses or, like its appliance maintenance and repair service, are intrinsic to the retailer's overall merchandising synergism and would seriously injure its marketing.

Martinez, in interviews, emphasized that he was hired to run Sears Merchandising, and that the Sears board and Brennan were amenable to any ideas that improve the retailing division.

Brennan, besides being chairman of Sears, had held the top merchandising group job since August 1990, when he took over that responsibility from Michael Bozic, then chairman and ceo of the division, in an effort to revive the retailing operation. (Bozic left Sears in February 1991 and is now trying to engineer a turnaround at discounter Hills Department Stores.)

Forrest R. Haselton, formerly vp, automotive, was appointed president of the Merchandise Group in February. He reports to Martinez. The Merchandising Group doesn't have any executive with the title of chief operating officer.

Sears' board approved Martinez's appointment during a telephone meeting. Martinez was weighing offers from Sears and A.P. Bergner & Co., a Milwaukee company that is in Chapter 11 and is the parent of the Carson Pirie Scott department store chain. Martinez reportedly had a handshake deal with Bergner, but hadn't signed a contract when he decided to sign on with Sears. That deal reportedly was for three years at a salary of $1 million a year, a $1 million signing bonus and other prerequisites.

Bergner, the day before Martinez officially joined Sears, sued the retailer and him in the U.S. District Court for the Southern District of New York. Bergner alleged that Martinez broke a promise to become its chief executive, while Sears was aware of his agreement and illegally interfered in the company's affairs. The suits seek unspecified damages from Sears and Martinez.

Sears stated that it and Martinez "have reviewed the allegation contained in the complaint and find them to be without foundation. In particular there was never any contractual relationshsip between Martinez and Bergner, nor were any misrepresentations made by Martinez. Thus Sears and Martinez are confident that the court will determine that their conduct was proper in all respects."

Sears to Pay $20M to Settle Auto Fraud

CHICAGO — Sears has agreed to pay as much as $20 million to settle 19 class action lawsuits that stemmed from California state charges that it bilked auto repair customers by recommending unneeded repairs.

Under terms of the settlement, Sears will offer a coupon worth $50 to some 933,000 customers nationwide who had the various services performed at a Sears auto center since Aug. 1, 1990, through Jan. 31, 1992. They include: replacements of a brake master cylinder; idler arm; a pair of shock absorbers, brake calipers or coil springs.

California state authorities charged that about half of the 72 auto centers recommended unnecessary replacement of such parts when undercover investigators came in for simple brake jobs that Sears advertised.

Sears expects the offer will cost it about $15 million, pretax, since all eligible customers won't apply.

The coupons can be redeemed for any merchandise or service in any Sears store during the year following Nov. 1, 1992.

In other aspects of the settlement, Sears will pay the state of California $3.5 million to reimburse it for the cost of its investigation and lawyers' fees and donate $1.5 million to state community colleges to finance auto repair training courses, for a total of $20 million.

Most important, the agreement allows all 72 Sears auto centers to remain open. California had sought to close them.

Previously, Sears had scrapped a system of paying commissions to auto service writers, a practice instituted in 1990, and resumed paying them a straight salary. Sears had conceded that mistakes occurred under the commission pay structure, but denied any intent to defraud customers.

Instead, Sears said the recommended repairs stemmed primarily from its policy of suggesting preventive maintenance to car owners. Sears also said that it will continue to recommend preventive maintenance repairs, but now will be more specific about who recommends the repairs—the automaker, the general repair industry or Sears, itself.

"While we regret any mistakes and inconveniences to customers that occurred, they were not intentional," said Charles F. Moran, Sears senior vice president and chief administrative officer, in announcing the settlement.

"We are confident that the overwhelming majority of the more than 27 million vehicles we serviced in 1991 and 1992 were done properly and safely," Moran said, "but more important, we believe these settlements should help restore the trust that our customers have placed in us over the last 105 years."

Following disclosure of the California charges, and similar charges from New Jersey a few days later, Sears automotives sales plummeted.

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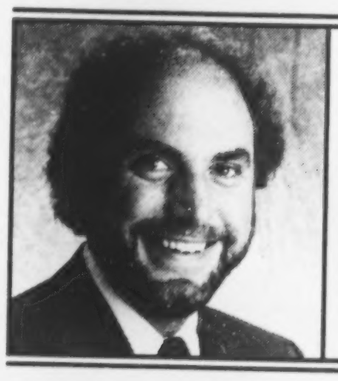
EDITORIAL

When It's a Venture, You Gotta Believe

I remember about four years ago when uncertainty overshadowed Venture (and its sister chain Caldor). Would The May Co. merge the two chains? Would they be sold? Who would buy them? Growth was slow and the future was in question. While some analysts and observers believed Venture would become the next discounting casualty, others believed in the long-term viability of this regional discounter.

Well, what a difference a May makes! From the obscurity and constraint under the May Co., Venture has emerged as a leader among regional discounters—a gritty competitor with a bright future.

Perhaps, the best recognition for its efforts is the honor of being selected as Discounter of the Year. But as proud as chairman Julie Seeherman was when he accepted the award last month (see page 133), he knows the greatest challenge lies ahead. Or in other words, about 550 miles south of O'Fallon, Mo., in the Lonestar State.



TONY LISANTI
Editor

To dramatize it one might ask, will the future of Venture be Texas gold or a Longhorn bust?

Currently, nine sites (five in Houston and four in Dallas-Ft. Worth) have been acquired and stores will begin to open in fall 1993. The plan is to have 50 stores throughout Texas over the next few years. A new distribution center in Corsicana, Texas, will open in April.

One question is does Texas need more discount stores?

Seeherman and company obviously believe it does. They believe Venture can prosper with new stores in a mature market. They are confident of the locations they have acquired. They believe Texas is still understored in terms of discount store square footage per capita. They believe in the strength of the Venture concept of merchandising.

The challenge now is to make Texans believers, as well.

BUYERS & SELLERS

DSN—Growing and Evolving With Discounting

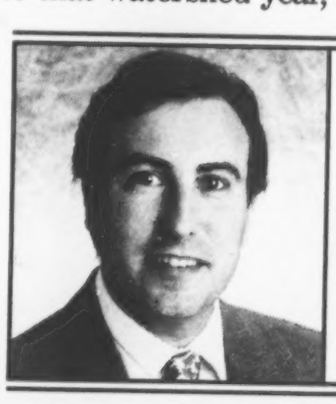
The $175 billion discount industry is one of the true success stories in American business. Retailing has experienced revolutionary change in the past 30 years. And *Discount Store News* has changed with it.

When *DSN* debuted in 1962, the discount industry was a powder keg waiting to explode. Prior to that watershed year, the industry could trace its roots to 1912, when Samuel Klein opened his first store, selling dresses in volume at a low markup.

Other discounters followed. Marty Chase, who later founded Ann & Hope, opened a piperack discount clothing store in 1933; and in the '40s and '50s, Eugene Ferkauf opened his first E.J. Korvette store in New York to mass merchandise hard lines, while in New England, closed apparel mills were being converted into future discount chains, such as Arlans and Ann & Hope, followed by Two Guys, Zayre, Gibson, Zodys and others.

But the roots of today's modern discounter can be traced to the founding in 1962 of what were to become, three decades later, the three largest discounters in the world.

The first issue of *DSN* featured no less than 60 articles on the then-$4 billion discount industry. Topics included the growing enmity between full-price department stores and discounters, statistical analyses of the fledgling industry, fair trade policies, and picture spreads on Korvettes' new prototype store. Absent was any mention of future discount behemoth, Wal-Mart. There was scant notice of Dayton Hudson's plans to enter the discount arena with Target. Kmart was just a gleam in Kresge's eye.



DON LONGO
Exec Editor

Today's *DSN* provides sharp contrast and striking similarities to that inaugural effort. As in 1962, we still cover in detail the actions of the biggest mass retail chains in the country. But now our scope is wider, including international retailers, specialty discounters and membership warehouse club chains. Today's *DSN* is livelier, with extensive use of four-color photography and a news magazine layout. But the mission of *DSN* is the same as always: to provide our readers with the information, products and services they need to help them make better business decisions. And the fun of today's *DSN* is scouring our pages for that elusive article on a small company that will become the next Wal-Mart, Kmart or Target of discount retailing.

PUBLISHER'S VIEW

Innovation the Hallmark of Discounting, DSN

In looking back over the 30 year history of discount retailing and *DSN*, I was struck by a comment made in an editorial that appeared in the first issue of *DSN*, January 1, 1962.

"A prevailing set of circumstances creates the opportunity for an innovator. The innovator comes up with an idea that is ripe in its time. He creates a potential revolution."

The above comment brings into focus that discounting has been a revolution of the "process" of retailing.

The revolution to date has allowed discounters to become the dominant channel of distribution for almost all consumer products sold in America.

Innovators are rarely met with open arms. That same issue of *DSN* features quotes from the then president of NRMA.

Retailers who stay open on Sunday are "sinners" and discounters are "illegitimate offspring" of traditional retailers.

These quotes brought to mind the commotion at this year's FMI Convention where warehouse clubs and supercenters were talked about in terms of their "threat" to the food industry rather than new innovative participants in food retailing.

Retailing innovations which give the public more of what it wants will continue to be the hallmark of discount retailers.

In the '60s it was found in discount department stores, in the '90s it will be found in warehouse clubs and specialty discounters. Tomorrow it will be found in retail formats yet to be started and globally as retailing innovators—discounters—spread their wings to take advantage of prevailing circumstances in Mexico, Europe and Latin America.

JOHN FAILLA
Publisher

For 30 years, *Discount Store News* has evolved along with the industry. *DSN* innovations like the SPARC Awards, the Discounter of the Year Award and the Discounting Hall of Fame are unique to all of retail trade publishing.

As discounting changes and evolves, moving forward, *DSN* will change along with it. Our commitment remains as it has been for 30 years—to providing information, products and services that help both buyer and seller make better decisions.

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Cable Address: LEBHAFRIED
Fax # for News Releases: 212-756-5125

Publisher JOHN FAILLA
Editor TONY LISANTI
Executive Editor Donald Longo
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Desk Editor Robert Barrese
Desk Editor Elizabeth Phillip
Editorial/Mktg. Asst. Laura Steele
Art Director Milt Berwin
Graphic Artist Maryellen Seery

Washington News Bureau
117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent Kenneth Rankin
VP, Group Publisher FRED J. FILER

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Editor DON LONGO
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SALES/MARKETING

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National Sales Manager KEVIN KENNEDY
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Classified Ad Manager Randall Friedman
Classified Production Manager Larry Brush

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager James Malver
Office Manager Diane Carson

Cleveland Summit One Bldg., 4700 Rockside Rd., Independance, OH 44131 216-642-3420
Area Manager Dave Tuttle
Office Manager Deborah Bambao

Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
District Manager Bruce Smith
Area Manager Cheryl Kilberg Solomon
Office Manager Beverly Wendtland

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004 213-464-8321
Area Manager Mary Fagnano
Office Manager Cynthia Sterling

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

BUSINESS/PRODUCTION

Business Manager Roch Minieri
Director of Manufacturing Stan Kaufman
Production Manager Carlos Lopez

LEBHAR-FRIEDMAN INC.
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HISTORY 30 Years OF DISCOUNTING

Discounting: Chronicles of Its Evolution

The discount department store industry took shape in the years following World War II when Americans went on a buying binge to satisfy pent up demands for consumer goods in short supply during the war years.

But the industry's beginning can be traced back to the turn of the century when "undersellers," the discounters of their day, sold apparel and soft goods at low markups that undercut conventional department store prices.

In 1912, S. Klein started its "underselling" business when it opened a small store in Union Square in downtown New York. The company founded by Samuel Klein was one of four soft goods-oriented undersellers, one hard lines retailer and two grocery/general merchandise merchants that predate the post-war advent of the discount industry.

S. Klein was followed in 1924 by Joe Weinstein's J.W. May, which opened a 360-sq.-ft. store in downtown Brooklyn that grew to 350,000 sq. ft., while George Farkus opened a 1,500-sq.-ft. Alexander's in the Bronx in 1928 that eventually expanded to 190,000 sq. ft. In Providence, R.I., Marty Chase in 1933 opened Chase Clothing as a piperack discount apparel store, beginning a discounting career that 20 years later resulted in the start of Ann & Hope.

On the hard line side, Steve and Phillip Master opened a loft store in 1937 selling radios in mid-town Manhattan. That Masters may have been the first true discount store as other hard lines were added, often after the company fought giant manufacturers over fair trade pricing, while lessees were brought in to run the soft goods side.

Discounters' long involvement with food includes two supermarket retailers that are among the pioneers. Fred Meyer opened a supermarket in 1922 in Portland, Ore. In later years the assortment was expanded as new stores were open so that after World War II Fred Meyer units were combined supermarkets and discount stores—a concept now labeled hypermarket or supercenter.

Hendrik Meijer opened a supermarket in 1934 in Greenville, Mich., starting a business that eventually led to a Meijer Thrifty Acres discount store in Grand Rapids, Mich., in 1962, the forerunner of the Meijer's hypermarket chain.

The fate of these seven retailers—each of which grew into chains—mirrored what happened to most other early discounters. Mainly it's a saga of chain development in the post-war years through the '60s, expansion in the '70s and financial and operational failures in the '80s, with only a handful surviving into the '90s.

In the years immediately following World War II, a number of entrepreneurs launched retailing ventures that tried to satisfy the demand for both basic consumer goods and new products like TVs and phonographs to play 33 r.p.m. records. They started out using a variety of sites: Herb and Sid Hubsman with a diner in Harrison, N.J., in 1947 that sold TVs and led to Two Guys, scatter lofts in New York used by Eugene Ferkauf in 1948 for the origins of what became Korvettes, or abandoned factories or mills, that led to the 'stores' opened by a host of pioneers: Lester Palestine in 1948 in New Bedford, Mass., for Arlans and in 1949, Ollie Cohen and Murray Candid starting King's in Springfield, Mass., while government workers launched Fedco in Los Angeles as a membership discounter.

During the '50s, converting mills in New England into discount stores was the tact of a number of other entrepreneurs who were impressed with the discount concept.

Two factors were behind this trend: The availability of mills that were being closed as manufacturers relocated their business to non-union Southern states, and the close proximity of the 'stores' to operating mills that were able to supply at low cost and quickly replenish apparel and domestics, the basic categories for all the discounters.

The litany of new discount chains in the '50s, often in mills, included the following: Carl Bennett in 1951 with a Caldor in a loft in Port Chester, N.Y.; Chase in 1953 in Cumberland, R.I.; in 1955, Sidney Mittleman in New Bedford for Atlantic, the Feldberg family's free-standing Zayre in Roslindale, Mass., and the Feldman family's J.M. Fields in Salem, Mass. (acquired in 1961 by supermarketer Food Fair); in 1957, Herbert Goldberger with Hills in Youngstown, Ohio, and Herbert Fisher in Pittsfield, Mass., with a Royal Factor Store that led four years later to the initial Jamesway in Jamestown, N.Y.; in 1958, Herbert R. Gibson with a Gibson's in Abilene, Texas, and Theodor Kaufman's Giant Stores in East Boston, and Max Coffman in 1959 with Mammoth Mart in Farmingham, Mass.

Variety stores, specialty retailers, conventional department stores and supermarkets were also probing discounting in the '50s. These efforts included: in 1956 Mangel's Shoppers Fair and Grand Union's Grand Way; in 1957, Lucky Stores launched Gemco, M.H. Fishman opened a Centers as a test and two years later launched Mason's, while Interstate Department Store tested a mini-discounter and in 1959 opened Family Fair and bought White Front; Weisfield Jewelry launched Valu-Mart in 1958, and Gaylord Nation's opened Gaylords in '59.

These chains, along with such other discounters as Bradlees, Jefferson Stores, Globe, Times Square Stores, Great Eastern, Unishops, Nichols, Big K, Parkview-Gem, Cook United, Ayr-Way, Zodys and Big N were in operation by 1962 when four chains debuted: S.S. Kresge with Kmart, Dayton launching Target, F.W. Woolworth starting Woolco and an experienced retailing entrepreneur debuting Wal-Mart.

By that year, the industry's format was set. It called for larger units that contained both hard lines and apparel, with most sections company-run. The key challenges facing the industry were Sunday Blue Laws and Fair Trade Laws. Consumer groups and even government agencies joined discounters in fighting these measures, while a growing number of non-apparel manufacturers began selling these retailers direct.

The future was also evident in the '60s. Master's filed Chapter 11 in 1963, while three years later Spartan and Atlantic merged and then acquired Korvettes. That combination in the late '60s and early '70s was followed by other mergers as most chains sought to expand by acquiring or opening stores as rapidly as possible. But Kmart in the late '60s began running away from the pack, ending the decade with over 300 units, more than double the next largest chain.

Conventional retailers that hadn't entered the discounting fray now did so—Rich's with Richway in 1968, May Department Stores with Venture two years later, Strawbridge & Clothier in 1970 with Clover, and Duckwall the next year with Alco. The attraction for the department stores was the success of Target as an upscale discounter.

The twin recessions in the '70s drove over a dozen discounters into Chapter 11. The toll included Interstate Stores (with Toys "R" Us the surviving company), Arlans, Unishops, Atlantic, Mammoth Mart, Parkview-Gem, Robert Hall Village (started in 1972), J.M. Fields, Mason's and Zodys, which emerged only to again file for bankruptcy and liquidate in the '80s.

The successful chains continued to extend their reach, Kmart and Woolco continuing their national expansion, Wal-Mart into the Southeast and Midwest and Target filled out its Midwest base. These discounters and chains like Bradlees, Two Guys, Zayre and Korvettes recycled the stores closed by the bankrupt chains.

The decade also saw discounters begin using various retail technologies: computers, electronic registers, UPC bar codes, POS scanning and satellite communication systems.

As the '70s ended and the '80s unfolded, acquisitions made news. FedMart took over Two Guys' West Coast operation in 1978, and Ames bought Big N the next year. By 1980, Two Guys was controlled by a New Jersey real estate firm and the chain's days were numbered—Montgomery Ward acquired a dozen units to expand its Jefferson division (bought in 1973)

(Continued on page 104)

30 Years OF DISCOUNTING

Tracing the Evolution of the Discount Industry

(Continued from page 49)
into the Philadelphia market, while Bradlees and Caldor bought units to further their expansion into the Philadelphia and New York areas. Two Guys was phased out by 1982 and the real estate firm, a major owner of Alexander's, did the same to that discounter in 1992.

1982 marked a peak in the demise of discounters. The chains closing included Woolco, FedMart, Memco (Gemco's East Coast arm) and Twin Fair, while J.W. Mays, Zodys, and Kings filed Chapter 11, and closed in subsequent years. During the remaining years, Wards closed Jefferson, while Cook United, Heck's and T.G.& Y. filed Chapter 11, eventually to be shut. This consolidation offered quick expansion to the more successful survivers. Gemco, for example, was phased out, most going to Target, while Ames bought Kings and then Murphy's Mart.

The end of the '80s and the start of the '90s were marked by two diverse trends. The Chapter 11 of such remaining major discounters as Zayre, Ames and Hills, along with the explosive growth of three other chains, Wal-Mart, Kmart and Target. The result was the splintering of the industry into these three chains and clusters of the rest of the companies into another group of regional operators, Jamesway, Caldor and Bradlees in the East, Rose's in the South, Clover in the Philadelphia market, Fred Meyer in the Pacific Northwest, Fedco in southern California, Venture, ShopKo, Fisher's Big Wheel, Meijer's, Value City and Prange Way in the Midwest.

The industry's direction is clear. Consolidation is the natural evolution of business, but the retailing void is being filled by the advent of new types of discounters, membership warehouses and specialty discounters that are maintaining the same tradition of low markup and fast turn in a self-service environment that has always been the industry's hallmark.

Industry Leaders Speak Out on the Long-Term Viability of Discounting

(Continued from page 103)

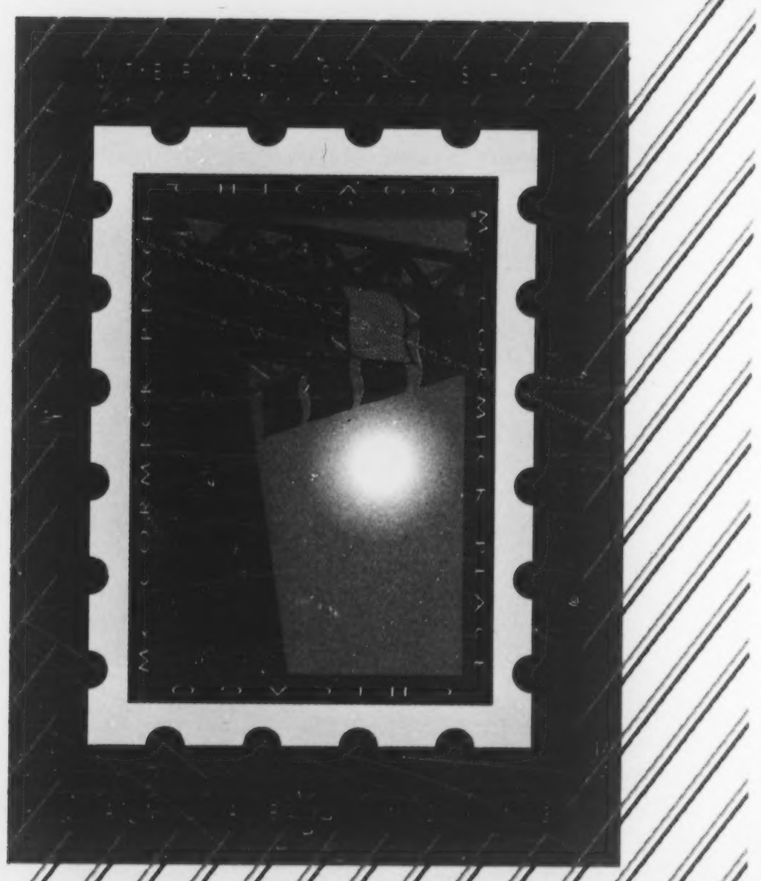
Steven J. Appel
President and CEO
Value Merchants
Milwaukee, Wis.

"Shaped by years of economic struggle and uncertainty, the shopping paradigm has changed for a large mass of consumers. The consumer now recognizes that quality, value and customer service do not require a high price tag. What is required is a retailer who is driven by customer needs. And, we are not likely to see those needs change dramatically in this decade and perhaps not in the next as well. Discount retailing has the opportunity to remain a dominant retail concept through the 1990s and beyond."

Marcy Syms
President
Syms Corp.
Secaucus, N.J.

"It's the consumer who will answer that question and define the [discount] concept. We've taught the consumer they can find large assortments, brand names and bargain prices in a no-frills setting. They've learned they can trust us and believe us. As long as we don't betray them, why would they shop elsewhere?"

1993 STARTS ON JANUARY 10.



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Oshman's Refines its Superstores

(Continued from page 6)

three entrances from the mall. A racetrack design is used, as it is in the company's other stores, but Anderson pointed out that the merchandise areas are more departmentalized in this unit.

Besides the independent apparel areas, various sections featuring equipment also have clothing displays. For instance, skiing equipment is adjacent to outerwear and ski suits. Tennis shorts and tops are cross-merchandised with rackets.

Skiing is one section that has been expanded to serve the cold Minnesota market. And an area that is used to simulate a soccer field in the summer will have a special silicone floor during the winter where customers can actually try out ice skates. This is the only Oshman's with that feature.

Another bow to the cold weather customer is the selection of skiing equipment and apparel. For the winter, a moving deck that simulates a ski slope will be available. According to Anderson, Oshman's will also offer beginner skiing lessons using this aparatus.

For those who like more pastoral sports, a putting green and video golf course can help perfect a shoppers' swing.

Each demonstration area has attendants that function as floor salespeople. By the time the store opened, more than 20 vendors had been to the Bloomington unit to explain how their products work to store employees.

Oshman's introduced the super size store in its home base, Houston, in 1990.

However, the super store concept has been used in stores as small as 56,000 sq. ft. The smaller store opened in Albuquerque earlier this year.

Oshman's currently has 180 stores in 17 states. In 1991, Oshman's reported annual sales of $297.8 million.

DISCOUNT STORE NEWS

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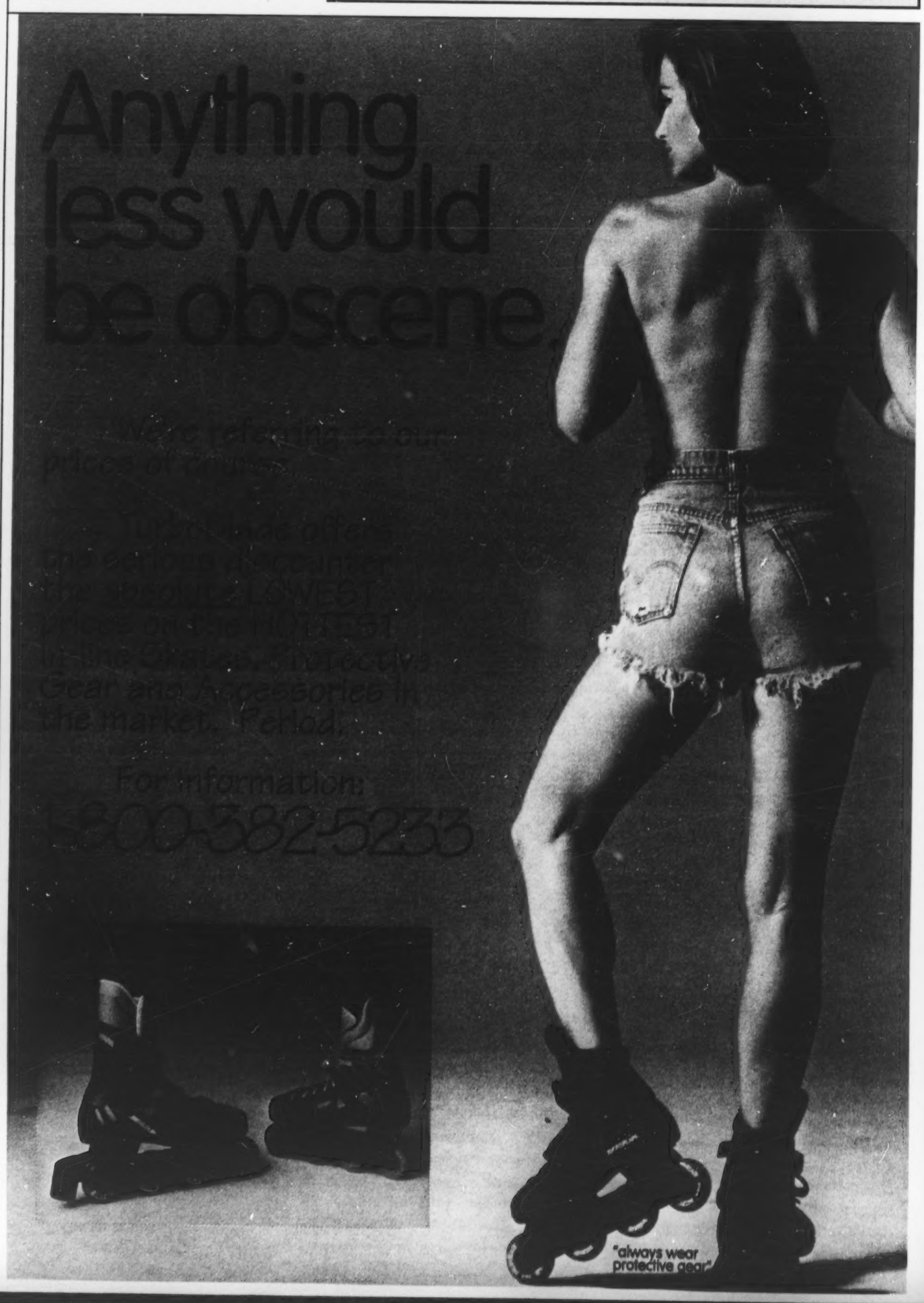

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SECOND CLASS

VOL. 31, NO. 19 Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. $25 for Top Brands Issue October 5, 1992

***An artist's rendering** of Kou's Wholesale Membership Club shows its similarity to American membership warehouses.*

Daiei Opens Kuo's, Japan's 1st Club

By Arthur Markowitz

KOBE, Japan — Daiei, Inc., Japan's largest retailer, opened a Kuo's Wholesale Membership Club here Oct. 1 as the first such full-line store in this country.

The 80,000-sq.-ft. venture is the pilot store for what could become another chain for the parent Daiei Group, whose diversified business (totaling Yen 5.1 trillion or approximately $39.5 billion) already includes over 8,000 conventional department stores, discount stores, supermarkets, convenience stores, specialty retailers and restaurants. Daiei Inc.'s retailing operations amounted to Y2.4 trillion ($18.5 million) in the fiscal year ended Feb. 29, 1992.

INTERNATIONAL RETAILING REPORT

Daiei Group's other holdings include shopping centers, the Orange Membership Card charge card, financial services, consumer services like travel agencies and hotels and even a Japanese professional major league baseball team, the Fukuoka Daiei Hawks. The company is building a $2.2 billion Twin Dome City complex in Fukuoka City that will initially include a domed stadium due to open in 1993. Future plans call for a 1,000-room hotel and convention center set for 1995 and a Fantasy Dome containing an amusement park and shopping center set to open at the end of the decade.

The Kuo's Club takes up the first two floors of a multisto-

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Bradlees Enters NYC; Gets Six Alexander's

By Mary Ellen Kelly

NEW YORK — Bradlees has agreed to buy six former Alexander's store sites in the New York metropolitan area from the bankrupt discounter.

The acquisition would establish Bradlees as the leading full-line discounter in the city's five boroughs, and reinforce its status as one of the top three discount chains in the Greater New York market area, along with Caldor and Kmart. The new stores would bring Bradlees' total New York state store count to 16 and its chain total to 133. It has a dozen stores in the northern New Jersey portion of the Greater New York market.

Four of the stores slated to go to Bradlees are located in New York: two in the Bronx on Bruckner Boulevard and on Fordham Road, and two in Queens in Flushing at the intersection of Roosevelt Avenue and Main Street and in Rego Park. The other two stores are in Valley Stream, on Long Island, and in the suburban city of Yonkers in Westchester County.

Alexander's two stores in Manhattan, its flagship midtown unit on Lexington Avenue and its downtown store in the World Trade Center aren't part of the deal.

The possible entry of Bradlees is part of a tremendous upheaval in the downtown New York retail market, which has witnessed an influx of category killers—Toys "R" Us, Bed, Bath & Beyond, Lechters, Staples, Lionel Kiddie City and other specialty discount retailers—at the expense of tired retail formats like Alexander's and overpriced New York department stores.

BJ's Wholesale Club and Sam's Club are rumored to be in the bidding for Alexander's Paramus, N.J. location. Alexander's spokesmen will only say that, having come to an agreement with Bradlees, it will now devote its attention to the remaining locations, adding that there

(Continued on page 95)

CE Phenom Makes Stellar Debut

The Incredible Universe: Worlds Apart From the Rest

By Pete Hisey

WILSONVILLE, Ore. — They lined up for miles, literally, to see The Incredible Universe, Tandy's new 160,000-sq.-ft. consumer electronics megastore. Traffic on nearby I-5 came to a standstill and backed up nearly two miles until highway patrolmen cleared the jam.

And, once consumers actually arrived at the store, which debuted Sept. 17, they waited up to four hours for a chance to shop at the flashy newcomer. And once they actually got inside, they were often faced with 90-minute waits at the checkouts, particularly in the hopping computer software specialty store-within-a-store.

The Incredible Universe resembles a combination of Best Buy's warehouse-style stores (cement floors, non-commissioned sales help) and Brands-Mart USA's high-tech superstores (overwhelming size, high-tech architectural appointments), crossed with a New York after-hours club (booming sound system, massive video walls, laser light shows). Add a food court (not yet open), a few thousand shoppers, a children's play

(Continued on page 95)

Kmart Maps Out Aggressive Store Expansion Plan

TROY, Mich. — Kmart's fall store opening schedule is possibly its most ambitious in years, highlighted by the debut of its second Super Kmart Center in Montrose, Ohio, and its newest store prototype in Auburn Hills, Mich., dubbed Oak Park III.

This fall, Kmart has scheduled 73 store openings. The largest concentration of stores is slated for November when 42 stores open. November is ...ditionally Kmart's largest ...e opening month. The ...ings are usually sched... to take advantage of the ...k in fourth quarter sales. ...ll 1992 is also notable for a ...other reasons: Kmart offi... enters the Hawaiian re-

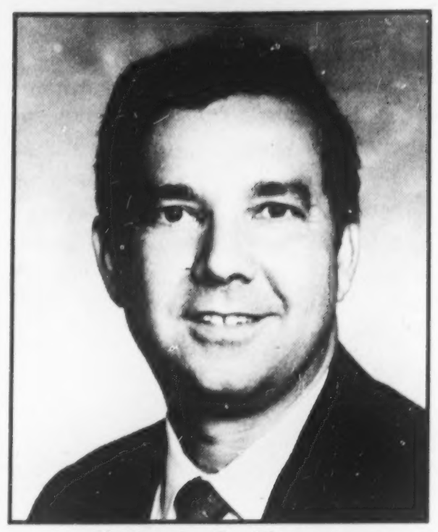
(Continued on page 95)

***Customers flock to see** the flashy audio/video selling area in The Incredible Universe located in Wilsonville, Ore.* (DSN photo)

Phar-Mor Names New Head, Eyes 63 Closings

YOUNGSTOWN, Ohio — Phar-Mor has taken two steps—subject to bankruptcy court approval—that are important elements in its efforts to reorganize following its mid-August bankruptcy filing.

The company has named Antonio C. Alvarez, a turnaround specialist, as president and chief operating officer. The proposed three-year contract will pay him $900,000 a year, undisclosed bonuses based on performance and a "success fee" and equity should Phar-Mor emerge from bankruptcy.



Antonio C. Alvarez

Phar-Mor also plans to close up to 63 of its 309 stores, 36 that are unprofitable and possibly 27 more, subject to renegotiation of leases. The remaining stores are profitable, Phar-Mor said, or can be turned around by such moves as reducing footage or shutting nearby units.

The company is considering opening only a few of the 20 stores it originally planned to open this fall. After it filed the Chapter 11 petition, it opened 10 stores, but nothing since the first week of September.

The United States Bankruptcy Court in Youngstown was due to hold a hearing Oct. 1 on Phar-Mor's store closing plans—including determining the fate of the 27 units—and will possibly consider the company's debtor-in-possession petition. The latter hearing depends on the status of negotiations for funding the DIP instrument, with Phar-Mor seeking $150 million to $200 million in financing to be able to fully stock stores for the all-impor tant holiday selling season.

Phar-Mor filed for bankruptcy after taking a $350 million write-off that it alleges was due to a "fraud and embezzlement scheme" on the part of former president and coo Michael Monus and former chief financial officer Patrick Finn. Both were fired at the end of July. Senior vice president Joel Arnold was fired in mid-August for allegedly being aware that false information was being given to Phar-Mor's board, but failing to inform them about it. In the alleged scheme, Monus is reported to have diverted about $10 million to a basketball league he had started and to have manipulated the books to make the company seem profitable.

Monus at press time was reported to be planning to file for personal bankruptcy. The Warren, Ohio, *Tribune Chronicle* reported that Finn was cooperating with federal officials and Phar-Mor, describing how he and Monus changed financial records on company computers. So far, neither has been charged with any crime.

Alvarez, 44, co-founded Alvarez & Marsal Inc., a New York-based turn around consultancy in 1983. He was a consultant to Phar-Mor prior to being named president and ceo. At one time, he was a partner in Coopers & Lybrand, the big accounting firm that worked for Phar-Mor until June. Phar-Mor and Coopers & Lybrand have sued each other, each contending the other party should have discovered the financial irregularities.

Phar-Mor officials and other sources contend the company is basically a profitable operation. It had $50 million in cash as collateral for its banks at the time of the bankruptcy filing, and sales since then have increased the figure to $145 million.

This is enough to fund normal operations on a cash basis, the company said. But it has had to adjust payment terms to obtain merchandise from vendors, including paying cash for delivery of some

(Continued on page 96)

20-Unit Sports Unlimited Goes Public

TAMPA, Fla. — Sports & Recreation has gone public, selling a 34% stake to raise $75 million to pay off debt and fund expansion.

The sporting goods superstore chain operates 20 units averaging 41,000 sq. ft. under the name Sports Unlimited and is developing eight more. It has also selected 11 sites ranging as far north from its Sunbelt base as Syracuse, N.Y. and as far into the Midwest as Omaha, Neb., and Wichita, Kan.

In its expansion, S&R has targeted 150 smaller metro markets it expects will be too small to attract competition from other sporting goods megastore chains.

S&R used $41.2 million of the net proceeds to pay off long-term debt, including $4.5 million in 10-year notes that bore an interest rate of 18.5%. It will use the balance to fund expansion of 15 to 20 more stores over the next two years.

Following the sale of 4.18 million shares at $18 per share, S&R improved its balance sheet to show just $3.9 million in long-term debt, compared to total stockholder equity of $95.9 million.

For the year ended Feb. 2, 1992, S&R logged sales of $138.9 million and earned an operating profit of $8.9 million. Same store sales rose 8% for the year.

Nike, which accounts for 10% of sales, is the chain's largest vendor. Sports Unlimited stores stock 125,000 skus.

Investcorp, the Arab-world holding company that also owns Saks Fifth Avenue, purchased Sports & Recreation in 1989 from its founder, Jim Bradke. Bradke continues to serve as chairman and chief executive of the chain he founded in 1979 for Brunswick.

Bradke had purchased the chain from Brunswick in 1982 when it operated three stores.

Investcorp retains a controlling 56% interest.

GE Capital, Retailers Unveil Special 'Rewards' MasterCard

STAMFORD, Conn. — G.E. Capital last month launched a "G.E. Rewards MasterCard" in partnership with a number of national retailers, including some of the largest discount chains in the country. The card has all the features of a regular MasterCard along with consumer benefits given at various levels of consumer spending.

The retailers and service companies that have signed on include Kmart, Toys "R" Us, Macy's, Kids "R" Us, Kinney Shoe, Foot Locker, Builders Square, Waldenbooks, Hyatt Hotels & Resorts, Northwest Airlines, Bullock's, Lady Foot Locker, Kids' Foot Locker, Going to the Game, Hertz, HBO, Cinemax Sprint, Athletic X-Press, Circuit City, Champs Sports, GE Appliances and authorized dealers, OfficeMax and The Sports Authority.

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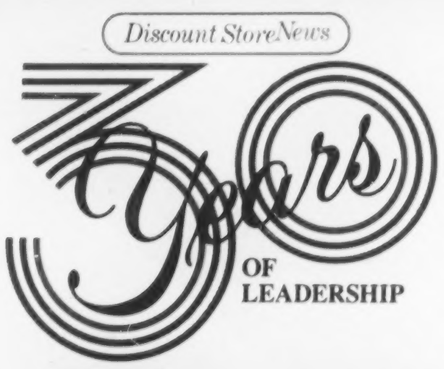

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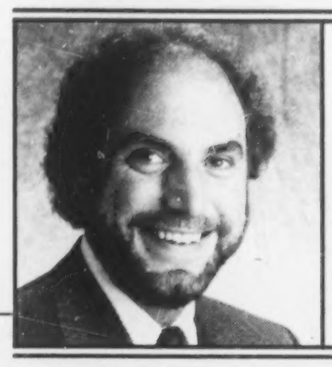
EDITORIAL

Value City a Sign of Retail Vitality

What ever happened to Gee Bee stores? Remember the Johnston, Pa.-based discount chain that was part of Glosser Brothers?

I know every reader has pondered this question recently!

The stores are being reopened as Value City Department Stores. And their story represents several key factors in today's retail marketplace.



TONY LISANTI
Editor

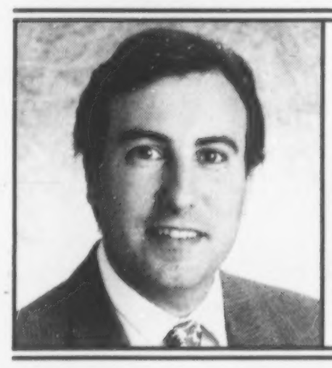
- *The consolidation myth.* Retail company consolidation has occurred, but the number of stores hasn't dropped much. Value City acquired 15 Gee Bee stores and is converting 13 to the Value City format. Two will be full-line Gee Bee stores.
- *The emergence of super-regionals.* Value City, the Columbus, Ohio-based department store chain which went public in February, exemplifies the growth of a variety of super-regional chains. Value City should remind us of the vitality of retailing in the '90s—a new breed of retailers—not discounting's demise. It should remind us of a new viable concept, not the death of an old chain that lost touch and couldn't compete.
- *The strength of off-price.* Value City reflects the consumer's mindset to shop for bargains, to sort through rack upon rack of merchandise, looking for that one great buy. Value City, in a sense, is an off-price, value-driven mall, a collection of specialty stores, under one roof. It's more than just apparel, which accounts for about 60% of its merchandise mix. Hard lines categories account for about 25% of the mix and licensed departments about 15%. Value City, like hard lines closeouter Tuesday Morning, is a destination store, a shopping phenomenon that attracts consumers from all income levels.
- *The popularity of name brands.* American shoppers still want name brands, but they're less likely to pay department store prices. Department stores' popularity hasn't suffered because consumers' love affair with designer brands has waned, but because their tolerance for high prices has waned.
- *The success of Value City.* Since going public, Value City, under the direction of president and gmm George Iancona, a former Marshalls exec, has been on a growth surge. By February 1993, it will boast 79 stores. Sales have doubled since 1987 to almost $600 million, and the company is on track to become a member of the coveted billion dollar chain club. The chain is projected to add almost $100 million in sales in fiscal 1992.

Value City is a hot concept, and a sign of the times, as well.

BUYERS & SELLERS

Supermarkets Wake Up and Smell the Coffee

Some people still don't get it. The supermarket industry has finally realized that many of its customers would rather shop warehouse clubs. For years, supermarket executives shrugged off these clubs as a competitive threat with lame excuses: clubs are mainly eating into institutional business, women shoppers don't like clubs' sparse surroundings, clubs are located in poor, less accessible sites, and shoppers will soon tire of lugging home jumbo packs of paper goods and stockpiling giant jars of mayonnaise in their basements. They were especially complacent in believing that their more upscale customers (the target of supermarkets' efforts to sell fancy cheese, seafood and gourmet products) would shun clubs.



DON LONGO
Exec Editor

They were wrong. Even wealthier shoppers look to save money when they can.

At one time, the cliché went: The three most important factors in a retailer's success are location, location and location. Today, recession or no recession, the three keys are price, price and price. That's why warehouse clubs and discount stores have been gaining market share.

So, what has been the supermarket's response? Have they pared skus to increase turns? Reduced price promotions and tried to lower everyday prices? Invested in improved distribution systems? Hardly, though some have installed club pack sections in a feeble attempt to emulate clubs.

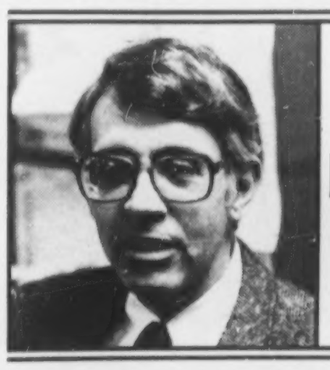
At least now, they're finally aware of clubs, as if they only sprung up within the last two years, when in fact, clubs have enjoyed phenomenal growth for more than a decade.

By the time supermarkets have figured out why clubs work, they will be facing another challenge: supercenters. Wal-Mart, Kmart, and eventually Target will be bringing discount efficiencies to the food business—and a whole new set of worries for supermarket companies.

TAKING STOCK

Understanding Yesterday to Reach Tomorrow

My wife, Ruth, and daughter, Beth, received a pleasant surprise when, after a buying hiatus, they went shopping at Macy's and Bloomingdale's. The surprise was service, starting with greeters who welcomed shoppers, knew where departments were and escorted customers to the service desk if they needed more help. Shockingly, store clerks were just as responsive.



ARTHUR MARKOWITZ
Senior Editor

I told Ruth her experience would be the basis for a column about how Sam Walton's legacy was alive and well and inspiring department stores. Ruth said Macy's new attitude pre-dates Sam Walton.

Ruth said that when she and her mother shopped Macy's during the '50s, the store also had greeters and salesclerks that went out of their way to provide service. In fact, she reminded me, at one time all the Fifth Avenue stores had greeters and attentive salesclerks. That was when the stores were run by merchants, rather than bean counters.

In again providing impressive service to customers, Macy's and Bloomingdale's have returned to their retailing heritage. Sam Walton also relied on his retailing heritage when he launched and nurtured Wal-Mart. As Walton was wont to acknowledge, his focus on servicing customers reflected his initial retailing experience at JCPenney, while Wal-Mart's distribution network using distribution centers mirrors the method he used to supply his first chain, the franchised Ben Franklin variety stores.

It's important to be on top of all the latest retailing technology, presentation methods, business trends and merchandising ideas. But it's just as important to take time to reflect on and remember past concerns, operational methods and ideas, what worked and advanced business, what didn't, and why. Heritage, the sum of a retailer's past experiences, influences the present and the future. If you don't know where you have been, it's difficult to get an exact fix on where you are today. And you may never reach tomorrow.

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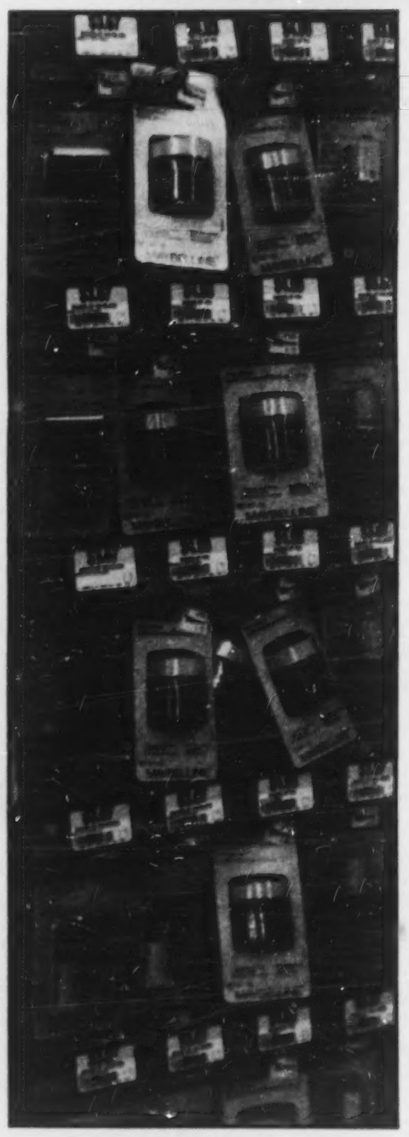
TOP BRANDS

PART I: STORE MANAGERS SURVEY

Brand Growth Plateaus as Chains Seek Balance With Private Label

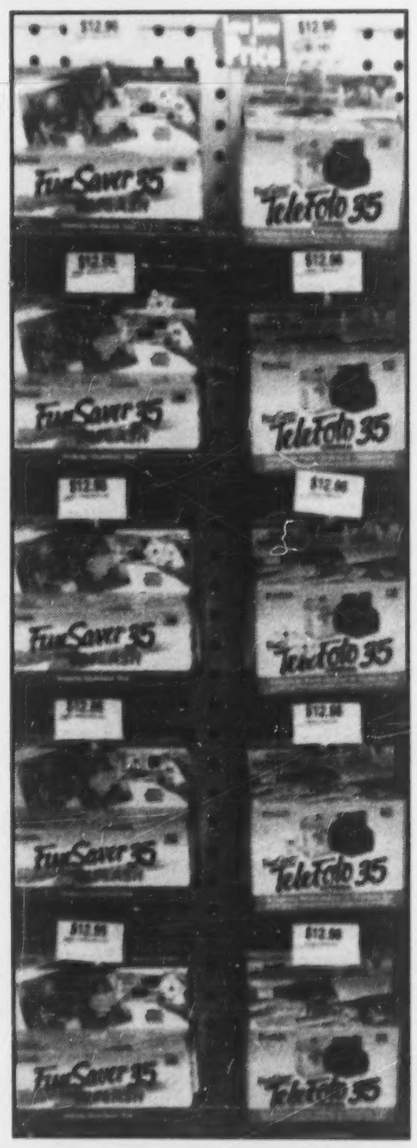


'Can You Give an Example of a Department in Which the Number of National Name Brands Being Carried Has Increased Since the Past Year?'

Apparel (net)[1]	NA	NA	NA	NA	24%	23%
Health & Beauty Care	21%	21%	17%	21%	18	23
Housewares	24	23	14	15	17	18
Food, Candy & Snacks	2	5	1	3	5	10
Hardware	8	9	14	9	9	9
Sporting Goods	11	10	3	5	8	9
Consumer Electronics	8	5	8	7	10	8
Household Cleaners/Chemicals	—	7	7	7	5	7
Automotive	6	4	5	5	2	6
Toys	4	2	2	5	2	5
Appliances (unelaborated)	4	3	6	1	3	4
Cosmetics	10	7	4	4	4	3
Garden	2	2	1	2	—	3
Small Appliances	1	4	*	6	3	3
Domestics	3	2	3	3	1	3
Home Improvement	11	1	1	2	1	2
Photo, Camera	1	1	1	1	1	2
Stationery	—	2	1	1	—	2
Footwear	1	1	2	4	2	1
Pets/Pet Supplies	—	—	—	—	—	1
Drugs	1	1	1	*	—	1
Toiletries	—	—	—	—	—	1
Major Appliances	—	*	1	1	2	*
Jewelry	2	*	1	2	—	*
Paint	*	—	—	—	—	—

[1]Includes Men's, Ladies', Children's and other apparel.
*More than 0 but less than 5.

Source: Discount Store News/Leo J. Shapiro & Assoc.



Even while the nation's top discount chains look to enhance their private label programs to better serve consumer needs in a stubbornly long recession, their national brands programs are growing, albeit more slowly than in previous years.

Just 38% of the managers interviewed said their stores are offering more name brand merchandise this year than last, down from 43% who said name brand merchandise was on the rise in 1991 and 48% in 1990.

(Continued on page 53)

TOP BRANDS

Chains Try to Balance Name Brands, Private Label

(Continued from page 49)

Kmart managers report the greatest amount of brand growth in the past year, 48%, compared to 35% at Wal-Mart and 20% at Target. For all conventional discounters interviewed, 40% said they are carrying more national name brand merchandise this year than in 1991 compared to 29% for upscale discounters.

Despite the overall slowing of brand growth, managers report that within each department more brands are performing better than ever.

This year, managers identified an average 2.9 brands per merchandise category as top performers, the highest total in the past six years. That represents a 32% jump from last year when an average of 2.2 brands were named by managers as top performers.

Moreover, the number of top performing brands rose in every department surveyed, indicating the strength and breadth of merchandise offered at discount chains.

Leading the 22 categories with the greatest number of average top performers was food, candy, snacks, a growth category for the nation's largest discount chains.

Store managers said they had on average 4.1 top performing brands in this category, 41% more than the average for all the surveyed departments. Second to food, candy, snacks was household cleaners and chemicals with 3.9 brands listed as top performers, up 26% from 1991.

The department with the fewest average number of brands mentioned as top performers was greeting cards, 1.0, the same as previous years. This is unlikely to change since discounters award their greeting card business to a single vendor per store. Second lowest was children's apparel, with 1.8 brands mentioned as top performers.

Unlike greeting cards, children's apparel is a crowded arena of brands with relatively few rising to the top. But the 1.8 brands number represents an increase from 1991 when managers said the department averaged 1.6 top brands.

Other than greeting cards and children's apparel, departments with fewer than 2.9 average top performing brands included: domestics, 2.1; glassware and dishes, 2.2; ladies' apparel, 2.3; film and stationery, each with 2.5; personal care appliances and men's apparel, each with 2.6; and housewares, 2.8.

Only blank videocassettes—a new category this year—and photo and camera (excluding film) averaged 2.9 top performing brands. The remaining seven categories all had more than the average 2.9 top performers: health and beauty care, toys and automotives, each with 3.7; consumer electronics, 3.6; sporting goods, 3.4; cosmetics, 3.3; beverages—a new category—3.2; and hardware, 3.0.

Of the 22 merchandise categories surveyed this year, store managers reported the greatest rise in national brand merchandise in health & beauty care in the past 12 months, in large part to hefty increases at Wal-Mart and Kmart.

Nearly one-fourth of surveyed managers said the number of national brands in the H&BC department has increased, compared to one-fifth the managers a year ago.

At Wal-Mart, one-third the managers interviewed said H&BC brands are on the rise. Nearly one-fourth of Kmart managers said brands are increasing in H&BC and fewer than one in 20 at Target.

Housewares, which showed only a slight increase in national brand merchandise in the past year, was, nonetheless, second to H&BC in total brand growth from 1991. Leading the way in this case was Kmart.

More than one-fourth of managers at the No. 2 discount chain said the number of national brands has increased in this department, more than double the response rate at Wal-Mart and Target and double the brand growth rate of any other Kmart department in the last year, according to responses.

Since 1991, Kmart has forged ahead with a dramatically new and expansive brand-oriented housewares department that now includes the pricey KitchenAid label.

After H&BC and housewares, and food, candy, snacks and hardware experienced the greatest expansion of brands at Kmart, two departments which are expected to continue growing in the months ahead.

At Wal-Mart, housewares, clothing/soft lines and men's apparel were categories in which brand name presence was increased.

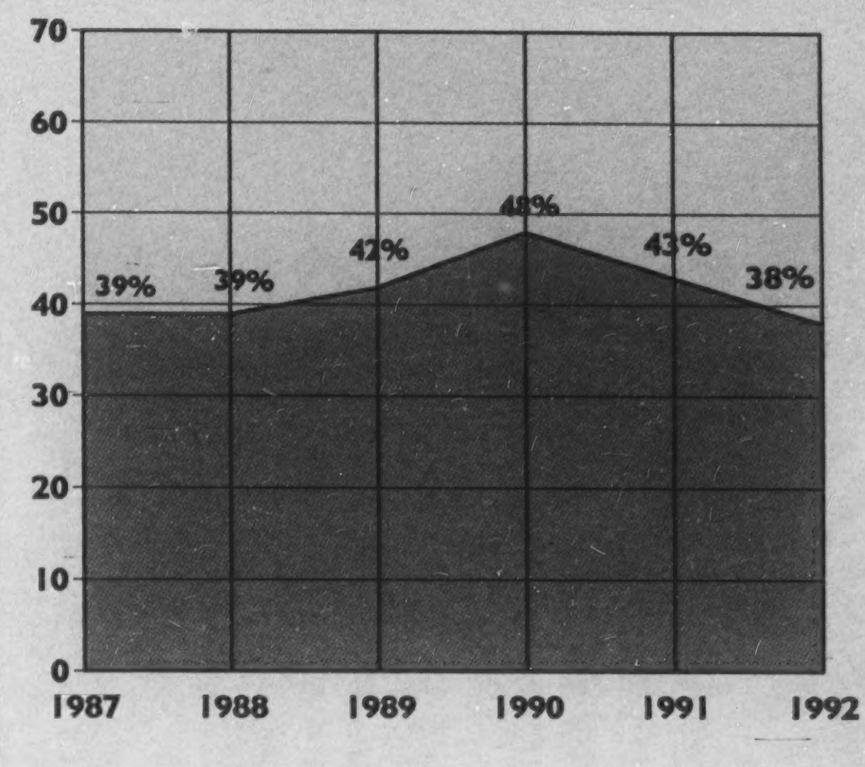
At Target, brand growth was concentrated in H&BC and CE (computers, home/video/sight & sound), followed by clothing/soft lines (unelaborated) and food, candy and snacks, according to managers.

The most dramatic change in brand growth last year occurred in automotives, toys, and food,candy, snacks and domestics. In these areas at least twice the number of managers this year said those departments experienced brand growth.

Conversely, brand growth eased in clothing (unelaborated)—where control labels are rising—and cosmetics—where the top labels are already stocked—and was the same as 1991 in men's apparel, ladies' apparel, and small appliances, according to manager responses.

National Brand Name Growth At Discounters

(% of store managers reporting increase in number of name brands carried in the store)



Source: DSN/Leo J. Shapiro & Assoc.

Store Managers Expect Higher Sales for 1992

Despite the hard economic times, 85% of store managers surveyed for Part 1 of *DSN*'s Top Brands Survey said they expect higher sales in 1992 than 1991. A year ago, 83% of the managers predicted better times ahead.

Furthermore, 15% of the managers are so optimistic that they think 1992 sales will be between 14% and 21% ahead of last year, up from 13% who said that in 1991.

The greatest concentration of managers, 36%, however, estimated that sales will increase up to 8% this year. Nineteen percent feel sales will increase 10% in 1992.

Wal-Mart managers are the most optimistic, with more than nine out of 10 (93%) saying they expect higher sales in 1992 than in 1991. Kmart managers are the least optimistic: 80% expect higher sales. Target managers are only slightly more optimistic than the ones at Kmart, with 84% expecting better times.

With the brunt of the recession being felt in the Northeast and West, it is no wonder that managers in the South and North Central regions have the rosiest of outlooks. However, the percentages are so close—each one between 82% and 87%—that they are hardly distinguishable from the others.

TOP BRANDS REPRINTS

PART I: Top Brands Study: Store Manager Survey
Oct. 5 Issue Features Store Managers' Ranking of the Top Performing Brands In Each of 22 Product Categories

PART II: Top Brands Study: Consumer Survey
Oct. 19 Issue Features Discount Store Consumers' Preferences for Name Brands In Each of 22 Product Categories Exclusive Power Brands Report

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How The Study Was Done

This year's Top Brands Survey features responses from 300 store managers nationwide about the performance of national brand merchandise. Phone interviews were conducted in July by Leo J. Shapiro & Associates, Chicago, exclusively for *DSN*. Part 2 of the Top Brands Survey, spotlighting consumer brand preferences along with the special Power Brands, will be published in the Oct. 19 issue of *DSN*. For Part 1, managers were asked to name their top performing brands in 22 departments and project the growth of national brands in their stores.

"What are your best performing brands in the . . . department?" was the key question managers were asked. Brands in each department were then ranked based upon the percentage of mentions they received from retailers. This study presents overall rankings, as well as breakouts on how the top brands performed at the three largest chains, among other conventional and upscale discounters, and in the various regions of the country.

Gitano Tops Ladies' Wear List for Fifth Year

Gitano maintained its stronghold as a top performing discount store brand in the ladies' apparel market by a wide margin this year. It has capped *DSN*'s Top Brands Survey list in this category since 1988.

Forty percent of retailers surveyed named Gitano as a top performing brand in their women's apparel department. Each year, however, without displacing the top performer, other brands have managed to get more mentions from store managers. In this survey, after Gitano, only a few percentage points separate Hanes (22%), Lee (22%) and Chic (21%) from each other.

Wrangler, which moved up to the No. 5 position (12%) from the 10th spot, and Fruit of the Loom (10%), which dropped a notch, both received more total mentions this year than they received in the previous year.

The emphasis on apparel brands is probably the reason that Wal-Mart's Bobbie Brooks label was booted out of the Top 10 for the first time since 1989. Target's Merona brand was also pushed further down the list than it appeared last year.

The retailers remained relatively loyal to their brands. Like last year, Wal-Mart managers placed Bobbie Brooks third in terms of mentions. Target managers placed Merona fourth in terms of mentions.

Kmart managers, however, gave the store's private label line a more solid thumbs-up than the managers did at the other two giant chains. Kmart's own Jaclyn Smith label received the highest percentage of mentions among Kmart managers as a top performing brand in the ladies' clothing area.

Chic apparel, shown at Kmart, Southbury, Conn., ranked 4th, with 21% of store managers mentioning the label.

Kmart's new B.E. line and Target's Honors private label line received only marginal mentions at each of those chains.

Despite the store-specific brand loyalty, national brands consistently outperformed the private label brands in ladies' apparel.

As it has in men's wear, Lee has been a prominent fixture in the ladies' market. A number of jeans labels, however, stand ready to make a move for market share as the Lee brand is taken out of the discount tier.

Bonjour, which was edged out of the listing last year, regained its place in the current list, grabbing the 10th spot by garnering 6% of manager mentions as a top performing brand.

Jordache, which has flip-flopped on and off the chart in the last three years, also made a comeback, finishing eighth this year with 7% of the manager mentions.

A total of seven out of the Top 10 brands in the ladies' apparel category are jeans. When Lee introduces its Riders brand to the discount market, the rush for market share is certain to cause a stir.

Wal-Mart managers named Gitano most often as a favorite brand, but Kmart ranked it behind Jaclyn Smith and Chic. Target ranked it behind Lee and Chic.

Regionally, Gitano won the hearts of managers in the Northeast, South and north central region. Managers in the West were more generous. In that region, Hanes, Gitano and Lee were mentioned by 22%, 21% and 20% of managers, respectively.

Ladies' Apparel: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Gitano	40%	40%	40%	40%	42%	46%
Hanes	22	24	21	23	27	29
Lee	22	23	18	21	41	35
Chic	21	21	18	20	34	29
Wrangler	12	6	11	6	14	6
Fruit of the Loom	10	18	9	18	15	20
Jaclyn Smith	9	9	11	11	—	—
Jordache	7	5	7	5	8	3
Playtex	7	9	5	8	17	13
Levi's	6	9	5	8	9	7

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Gitano	47%	53%	33%	21%	65%	12%	38%
Hanes	17	22	25	22	32	10	22
Lee	40	18	21	20	12	2	56
Chic	19	17	30	13	5	17	52
Wrangler	9	9	15	13	8	7	24
Fruit of the Loom	18	10	9	4	10	7	15
Jaclyn Smith	11	4	12	13	—	32	—
Jordache	7	11	2	7	12	3	8
Playtex	12	5	7	8	2	8	10
Levi's	3	6	3	13	2	2	7

Source: Discount Store News/Leo J. Shapiro & Assoc.

Gitano, here at Caldor, Bricktown, N.J., a runaway category leader, got 40% of mentions. Other brands lagged 20 points behind.

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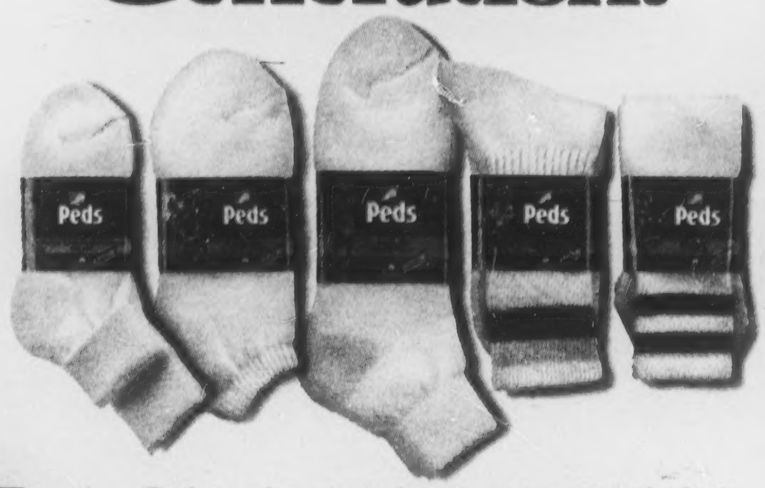

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Lee's Discount Pull-Out May Leave Brand Void

There were few surprises in the men's market in this year's Top Brands Survey of retailers. Except for some minor shifting of position, the top four brands stayed at the top and reinforced the mood of the category: basic fleece, T-shirts and jeans are the top performing apparel items in the men's department of a discount store.

The surprise is likely to come next year, when Lee, a consistent top five brand, pulls its jeans label out of the discount market.

Lee placed fourth overall, with 21% of all discounters naming it as a top brand. Though not sold at Wal-Mart or Kmart, the brand was named as a top brand by 15% of conventional discount store managers and a hearty 49% of upscale discount store managers.

The top brands list will look very different in 1993 when the Lee brand changes its distribution. Lee has consistently been in the Top 10 of the men's wear retail list since 1987 and was ranked first in two of those years, 1988 and 1989, as the top performing men's brand at discounters.

Lee itself is hoping that its new discount line, Riders, will fill the spot in next year's managers' list. But there is opportunity for other jeans brands to make a play for the top spot.

Since 1990, Wrangler, a sister company to Lee in the VF Corp., has edged ahead of Lee in the Top Brands Survey. This year, Wrangler garnered 32% of total mentions from store managers as a top performing men's wear brand, ahead of Lee's 21%, and trailing only Hanes and Fruit of the Loom. Rustler (yet another VF company) and Brittania inched their way closer to the top as well.

After a one year hiatus, Dickies bounced up to grab the 10th rank on this year's Top Brands list. And, new to the list this year with an eighth place ranking is Reed st. James, which has hovered in 11th or 12th place since the inception of the brand survey. Gitano, fifth, and Levi's, ninth, round out the Top Brands list.

All of these companies have a chance to capture at least a portion of the jeans business.

Discount store managers overall named Hanes and Fruit of the Loom, known both as basic fleece makers and underwear manufacturers, as the top performers. Overall, 37% of store managers named Hanes as a top performing brand in men's wear, while 33% mentioned Fruit of the Loom.

Regionally, those two brands led the way as well. Only retailers in the West marched to a different drummer, putting western wear favorite Wrangler at the top of their list.

Among specific discounters, however, there were some divisions. Wal-Mart and Kmart mentioned Hanes as a top brand most often. Target managers placed Wrangler and Lee into a tie as the top performers, with Hanes following.

Notably missing from the fray this time is Bugle Boy. Despite the company insisting it is not a discount store brand, it managed to garner 10% of brand mentions in the 1991 survey, placing sixth. For 1992, it only got 5% of store manager mentions.

According to Bugle Boy, its presence at discount was due mostly through diverters selling to various stores.

It will be interesting to see if Lee, which will also be insisting from now on that it is not a discount brand, manages to escape the claws of diverters. With other ostensibly non-discount brands showing up on the lists over the years, such as OshKosh in children's apparel, Lee may linger as a top performing discount store brands a while longer.

It will be very interesting to see if Lee, which will also be insisting from now on that it is not a discount brand, manages to escape the claws of diverters.

Men's Apparel: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Hanes	37%	28%	34%	27%	49%	34%
Fruit of the Loom	33	32	34	30	31	42
Wranger	32	34	31	34	38	38
Lee	21	26	15	22	49	42
Gitano	16	9	16	8	16	14
Rustler	11	9	11	9	9	7
Brittania	10	7	8	5	17	18
Reed st. James	9	4	11	4	1	3
Levi's	9	12	7	10	15	13
Dickies	8	4	9	5	4	1

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions Northeast	South	North Central	West	At the Big Three Wal-Mart	Kmart	Target
Hanes	33%	40%	40%	29%	57%	20%	40%
Fruit of the Loom	41	36	36	19	50	18	28
Wranger	24	36	29	38	45	15	52
Lee	45	13	20	21	2	3	52
Gitano	27	19	15	2	27	7	8
Rustler	2	13	15	3	22	5	18
Brittania	9	9	8	14	7	8	28
Reed st. James	2	14	12	—	30	—	2
Levi's	2	9	5	19	5	2	2
Dickies	3	12	11	1	13	2	4

Source: Discount Store News/Leo J. Shapiro & Assoc.

Gitano, which ranked fifth in this year's Top Brands Survey, *utilizes video tapes as a point of sale merchandiser at this Caldor unit in Staten Island, N.Y.*

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Gitano Takes a Big Leap in Children's Wear

Gitano, already a staple in ladies' apparel and the best performing ladies' wear brand in this year's Top Brands Survey, made the largest jump in retail mentions this year in the children's wear category.

Gitano garnered 16% of total mentions by store managers as a top performing brand, jumping from the seventh position to first place in *DSN's* survey. Fisher-Price, last year's leader, was second, garnering 13% of total mentions.

Unlike the other apparel categories, children's wear experienced the greatest changes in placement among the Top 10. Hanes, for instance, went from eighth to fourth place, receiving 12% of mentions (up from 8% last year); Lee dropped from second place to sixth, with 10% (down from 14%), and Wrangler fell from third place to seventh place, with 9% (down from 12%).

The importance of character licenses is evident in this survey, as well. Some managers actually named Disney and one of its characters, The Little Mermaid, as top performing brands in their stores.

The children's apparel category appears to be more sensitive to changing trends and to the evolving definitions of cuteness among parents.

In this year's Top Brands Survey, *Lee dropped to sixth place from its second place position last year.* (DSN photo)

Children's wear had the most brands mentioned of any apparel category. In total, 38 different labels were mentioned at least once as top performing brands in the category.

Fisher-Price was most often mentioned by managers at both Kmart and Wal-Mart, while Target managers mentioned Lee most often as a top performing brand.

Regionally, the responses were very different.

Gitano won the South, with 19% of southern managers naming it a top performing brand. In the Northeast, 26% of managers cited Fruit of the Loom as the reigning champ. Fisher-Price made the grade in the North Central region, with 16% of managers mentioning the brand. In the West, Gerber, which ranked fifth overall, garnered 17% of mentions.

Second place finishers also varied from region to region. Gitano tied for second in the Northeast and North Central region. Fisher-Price came in second in the South. Keeping with the western tradition, Wrangler did well in that region.

The importance of character licenses is evident in this survey, as well. Some managers actually named Disney and one of its characters, The Little Mermaid, as top performing brands in their stores.

Target was the only store to mention any of its private label children's wear brands. The Merona and Honors labels were mentioned by Target store managers, though the two were relegated to the bottom half of the list.

Pampers returned to the children's apparel list after a year's absence. The diaper giant edged out Curity, which placed 11th in terms of total mentions by store managers.

Fisher-Price children's wear, *on display at Kmart, Sayville, N.Y., was mentioned most often by managers at both Kmart and Wal-Mart.*

Last year's top brand, *Fisher-Price, on display at Wal-Mart, was the second most-often named brand in the South this year.*

Children's Apparel: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Gitano	16%	9%	15%	7%	19%	17%
Fisher-Price	13	17	14	18	8	13
Fruit of the Loom	12	11	10	9	21	23
Hanes	12	8	8	8	29	14
Gerber	11	11	9	9	19	19
Lee	10	14	7	13	22	23
Wrangler	9	12	9	12	12	12
OshKosh	7	8	7	9	6	6
Pampers	6	—	7	—	—	—
Liberty	6	10	7	12	—	—

How the Top Brands Fare by Region and by State

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Gitano	22%	19%	14%	10%	25%	7%	10%
Fisher-Price	6	17	16	6	27	8	12
Fruit of the Loom	26	12	11	5	15	5	18
Hanes	18	9	13	10	10	7	24
Gerber	15	8	8	17	10	—	10
Lee	22	9	9	6	—	—	30
Wrangler	3	8	12	12	10	7	16
OshKosh	14	5	6	8	2	3	—
Pampers	3	13	2	0	13	2	—
Liberty	12	4	—	8	15	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

A New Strategy Helps Maybelline Extend Lead

This year's top brands survey of the cosmetics category showed a resurgence in store level support for Maybelline, which has been the top performing brand in each of the past six years.

However, in recent years, Maybelline has seen its once commanding lead over the second ranked brand, Cover Girl, shrink from 29 points in 1987, to just 11 points last year. This year, Maybelline pulled away, garnering 83% of mentions by store managers as a top performing brand, 32 points more than Cover Girl and 36 points higher than Revlon, which ranked third for the sixth year in a row.

Part of Maybelline's success might be attributed to the aggressive new strategy the company adopted last year. The three-pronged plan incorporated increased marketing efforts, new product packaging and reformulations. In addition, its Shades of You ethnic cosmetic line has proved very popular at retail.

Part of Maybelline's success might be attributed to the aggressive new strategy the company adopted last year. The three-pronged plan incorporated increased marketing efforts, new product packaging and reformulations.

Cosmetics: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

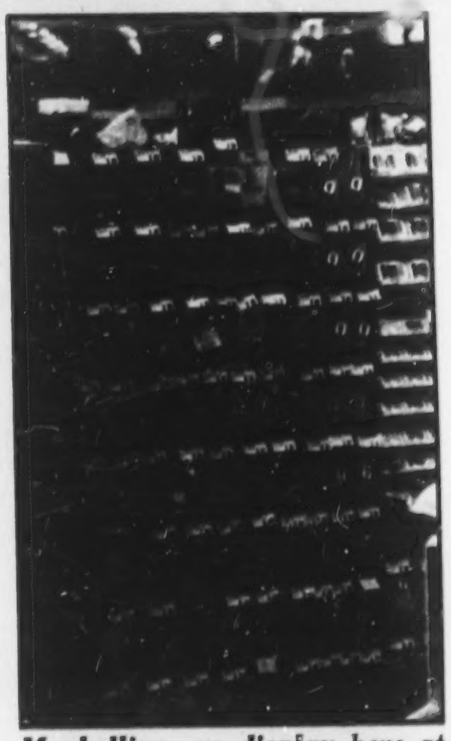
Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Maybelline	83%	79%	86%	80%	71%	75%
Cover Girl	51	67	51	69	51	59
Revlon	47	44	39	40	85	71
L'Oreal	29	24	29	23	31	33
Max Factor	27	17	25	15	36	26
Noxell	16	9	16	10	1	—
Almay	13	9	9	8	26	14
Clarion	12	4	12	5	11	1
Clairol	7	7	8	7	5	7
Sally Hansen	5	3	5	4	4	1

How the Top Brands Fare by Region and by Chain

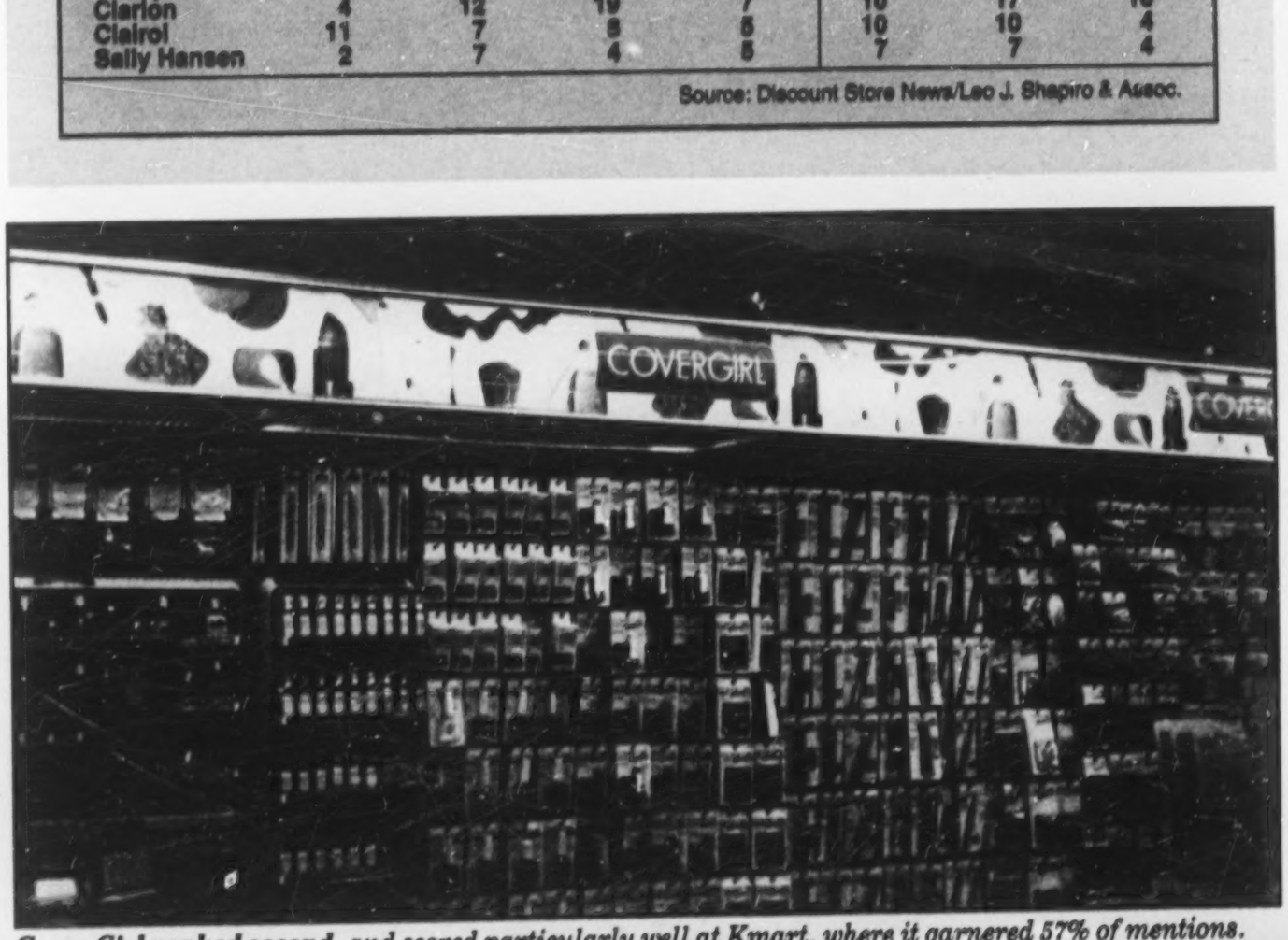
(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Maybelline	78%	84%	83%	87%	85%	93%	76%
Cover Girl	48	50	50	58	43	57	54
Revlon	47	41	44	67	42	32	78
L'Oreal	30	29	26	35	40	28	36
Max Factor	24	24	19	51	23	27	38
Noxell	9	8	22	17	7	32	2
Almay	15	9	11	22	8	3	24
Clarion	4	12	19	7	10	17	16
Clairol	11	7	8	5	10	10	4
Sally Hansen	2	7	4	5	7	7	4

Source: Discount Store News/Leo J. Shapiro & Assoc.



***Maybelline, on display** here at Fred Meyer, Chico, Calif., was a runaway category leader, garnering 83% of mentions.* (DSN photo)



***Cover Girl ranked second**, and scored particularly well at Kmart, where it garnered 57% of mentions.*

Of the 10 top brands that comprise *DSN*'s 1992 Top Brands Survey, conducted by Chicago-based Leo J. Shapiro & Assoc., the top seven remained unchanged in rank from 1991. Eighth-ranked Clarion switched places with Clairol, garnering 51% of mentions and 47% of mentions, respectively, and a newcomer, Sally Hansen, rounded out the Top 10 brands with 5% of mentions. Hansen replaced Coty, which fell to the 13th spot with 2% of mentions by store managers.

At the Big Three discounters, the top brands fared well. At Kmart, Maybelline was mentioned by 93% of store managers, the highest percentage of mentions of any brand at any chain in the category. Cover Girl garnered 57% of mentions at Kmart, for its best performance at any single chain. Revlon, typically a higher-end brand, posted a modest 32% of mentions at Kmart.

At Wal-Mart, Maybelline again was the big winner with 85% of store managers mentioning it as a top performing brand. Following closely behind were Cover Girl, Revlon and No. 4, L'Oreal, with only three percentage points separating all three brands.

Revlon's strength at upscale discounters was evident in the results. Revlon slipped by Maybelline with 78% of mentions at Target, while Maybelline garnered 76%. In addition, Revlon posted 85% of mentions at all upscale discounters while Maybelline recorded 71% of mentions.

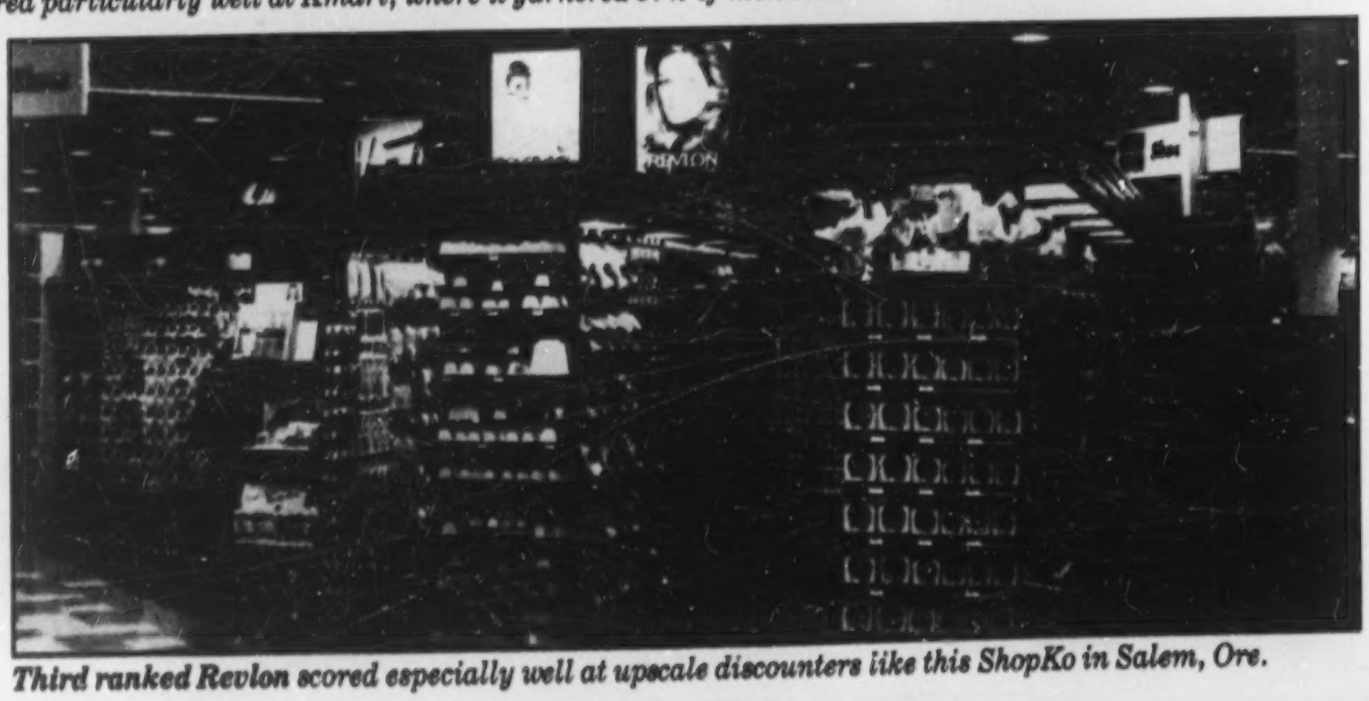
In fact, in 1991, Maybelline held a slim 4 percentage point lead over Revlon at upscale discounters, but this year Revlon overcame that lead and increased its number of mentions by an impressive 14 percentage points over Maybelline.

Rounding out the top 10 overall were L'Oreal, which received almost three out of 10 mentions, two percentage points ahead of Max Factor. L'Oreal and Max Factor performed better at upscale chains than they did overall.

Noxell, Almay, and Clarion where only three percentage points apart. The bulk of Noxell's support came from Kmart managers, Almay's strength was at upscale discounters and Clarion's support was pretty even across all types of chains.

Clairol and Sally Hansen completed the Top 10 list.

Regionally, the top seven brands, with the exception of No. 8 brand Clarion, had their strongest showing in the West. Clarion posted its strongest numbers in the north central region and Sally Hansen was favored in the South.



***Third ranked Revlon** scored especially well at upscale discounters like this ShopKo in Salem, Ore.*

TOP BRANDS

Brands Remain Strong in Discount CE Depts.

Despite its management shakeup and well-known financial problems, Emerson for the fifth time in six years received the highest percentage of mentions as a top performing brand in discount store consumer electronic departments by discount store managers. The brand actually increased its mention rate, from four of 10 managers surveyed in 1991 to almost half of all queried—its best showing ever.

There were some other dramatic results as well. Nintendo, which had made the top 10 for three years running, dropped off the chart, to No. 11, while RCA and Magnavox leaped past Panasonic to finish tied for fourth. Sony, which has been climbing for several years, moved past GE into second place, despite an increase in mention rates for GE.

And, Soundesign, which fell from the top 10 two years ago, reemerged in 10th place. The remaining three top brands—Sharp, AT&T and Sanyo—basically held steady compared to last year.

Despite strong mention rates for the leading brands (five were mentioned by a third of managers, or more), there was evidence of strong brand proliferation, as 49 brands in all received at least one mention.

Among those receiving at least one percent of total mentions were Nintendo, GoldStar, Pioneer, Zenith, Casio, Samsung, Gemini, Conair, Bell South, Daewoo, Grand Prix, Lennox, Black & Decker, Toshiba, Smith Corona, Texas Instruments, Unisonic, and Sega.

As usual, Emerson can thank Wal-Mart managers for its placement. Nearly nine out of 10 Wal-Mart managers mentioned the brand as a top performer. Wal-Mart managers were also disproportionately favorable toward Sony, RCA, Sanyo, and Pioneer.

Kmart managers, too, had distinct preference patterns, mentioning GE, AT&T, Sharp, Nintendo, Soundesign, and Zenith far more than did discounters as a whole. And upscale Target supported Sony, Magnavox, and Nintendo, while significantly undermentioning GE and Soundesign.

Upscale discounters other than Target were even more pronounced in their mention of Sony and Magnanvox, but didn't mention Nintendo as a top performer *at all*. They also were far more likely to mention Goldstar and Toshiba than discounters as a whole.

Traditional discounters other than Kmart and Wal-Mart were not statistically at variance with overall results, with a few exceptions. RCA, Sanyo and Sharp were mentioned only about half as much by these chains as by discounters as a whole, and few brands were mentioned significantly more often. Traditional dis-

(Continued on page 88)

Consumer Electronics: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Emerson	48%	40%	49%	41%	41%	38%
Sony	44	35	40	32	60	48
General Electric	41	39	43	40	60	29
RCA	30	20	30	20	29	22
Magnavox	30	17	25	15	50	22
Panasonic	24	30	24	31	25	23
Sanyo	21	14	23	15	15	8
AT&T	15	16	16	17	13	13
Sharp	15	10	14	9	17	12
Soundesign	11	5	12	6	3	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions Northeast	South	North Central	West	At the Big Three Wal-Mart	Kmart	Target
Emerson	29%	64%	45%	34%	87%	20%	60%
Sony	38	42	47	45	52	35	52
General Electric	53	31	39	52	33	58	24
RCA	25	32	31	25	48	30	36
Magnavox	23	28	27	42	18	23	42
Panasonic	28	22	22	29	27	28	24
Sanyo	3	27	24	20	50	5	16
AT&T	8	16	15	20	7	27	13
Sharp	33	12	8	20	8	27	12
Soundesign	14	11	8	12	5	20	3

Source: Discount Store News/Leo J. Shapiro & Assoc.

Sony, Kodak Lead Blank Videotape Brand Performers

Sony was the top performing brand in blank videocassettes, according to a survey of discount store managers conducted by Leo J. Shapiro & Associates for *DSN*. The brand narrowly beat out high-flying Kodak, which was named the top performer in photo and film, and was edged out (by Sony, again) in consumer electronics.

About four of 10 discount store managers mentioned Sony, vs. a bit more than one in three who mentioned Kodak. TDK and Maxell were right on Kodak's tail, with Scotch/3M, Polaroid, Memorex and BASF just off the pace. The top seven brands were clustered within 13 percentage points, which roughly duplicates market conditions, where the top 10 brands are engaged in a dog-eat-dog competition for share of a flat market.

And, discounters are carrying a record number of brands. Managers named an average of 2.9 brands in this department as top performers, which is average for the 22 categories surveyed in this year's report. But remember, this is a category that includes, basically, just *one product*. By contrast, consumer electronics, which includes radios, CD players, televisions, video game systems, computers, fax machines, boomboxes and a host of other products received an average of 3.6 brands mentioned as top performers.

Predictably, the mention rate from store managers varied sharply chain-to-chain. Most carry only three brands or so, with others brought in on a promotional basis from time-to-time. With 10 major brands out there, it's feast or famine depending on the chain.

Kmart managers, for instance, make Kodak an overwhelming winner, with nearly eight of 10 managers citing the brand, the most dominant performance of any one brand at one chain. Of the Kmart favorites: Memorex (nearly five of 10 managers mentioning), BASF (four of 10), Maxell (nearly four of 10), Sony and Kmart's own Focal label.

Wal-Mart managers were staunch Polaroid supporters, with nearly three quarters of managers citing the brand (compared to about one in 20 Kmart managers). Other favorites were Sony (nearly two thirds), TDK (about a third)

(Continued on page 88)

Blank Videocassettes: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Sony	40%	—	38%	—	49%	—
Kodak	35	—	36	—	30	—
TDK	32	—	28	—	46	—
Maxell	29	—	26	—	41	—
Scotch/3M	28	—	22	—	59	—
Polaroid	28	—	33	—	6	—
Memorex	27	—	28	—	22	—
BASF	19	—	22	—	9	—
Fuji	8	—	7	—	15	—
Focal	5	—	6	—	—	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions Northeast	South	North Central	West	At the Big Three Wal-Mart	Kmart	Target
Sony	36%	51%	41%	21%	63%	22%	52%
Kodak	43	23	42	40	5	77	40
TDK	30	26	30	48	32	15	50
Maxell	32	14	30	55	10	38	44
Scotch/3M	26	26	33	27	22	15	70
Polaroid	15	40	34	3	73	5	2
Memorex	18	18	22	58	2	47	20
BASF	23	20	15	24	8	42	6
Fuji	22	4	8	7	2	8	16
Focal	—	1	6	13	—	17	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

TOP BRANDS

Kmart, Target Managers Propel O-Cedar to 2nd

The big news in the housewares category was O-Cedar's unprecedented jump in performance among discount store managers surveyed in this year's Top Brands Survey.

Second only to Rubbermaid—which was still far and away the top ranked performer according to store managers—O-Cedar was not among last year's top 10 housewares brands.

Store managers at Kmart and Target were especially partial to Drackett Product's O-Cedar brand. The First Brand Corp.'s Glad brand name also made an abrupt jump onto this year's rankings. O-Cedar's investments in computerized planogramming which allows for greater customizing of assortments and better sales coverage of the national chains were among the elements that brought about this change, said Dave Perkins, director of public relations for O-Cedar.

While Rubbermaid maintained an unrivaled No. 1 spot, other plastics manufacturers such as Tucker and Sterilite gained more mentions than a year ago, and Glad, like O-Cedar made its first showing on the top 10 listing.

While Black & Decker and Mr. Coffee lost a percentage point or two compared with last year, they remained the only small appliance manufacturers represented among the top housewares brands.

The Top 10 roster represents the brands discount store managers across the country most frequently identified as their best performing brands in the housewares department, but there were other brands which were not on the top listing but were highly regarded by either specific chains or types of chains.

General Electric was named by 20% of Target store managers and 18% of all upscale discounters, compared with 5% of discounters overall.

Several brands produced by a single manufacturer, when combined, would push the vendor toward the top. Each year a compilation of Corning's numerous brands adds up to high level of total mentions. This year the total is 28% for Corning, Corelle, Pyrex, Revere, Visions. (In glassware and dishes, however, it was the top-ranked brand.) Similarly, Proctor-Silex together with Hamilton Beach totaled 9%.

While there is a handful of dominant brand names in the housewares category, the 53 brands that received at least 0.2% of total mentions from the survey population just scratches the surface. Nearly 40% of store managers were able to identify others as among the housewares department's top performers.

Private label was not a strong presence within the housewares category; less than 1% of all respondents said their store brand or private label was among their best performing brands in the department.

Housewares: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Rubbermaid	61%	64%	61%	65%	61%	68%
O-Cedar	16	3	14	3	22	1
Tucker	15	10	17	12	4	—
Black & Decker	13	21	9	19	29	29
Mr. Coffee	8	9	7	8	12	15
Corning	8	6	8	5	5	10
Sterilite	8	7	7	6	13	16
Glad	7	—	8	—	2	—
Corelle	7	6	7	7	3	—
Pyrex	6	—	7	—	—	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Rubbermaid	59%	61%	61%	62%	75%	50%	60%
O-Cedar	14	15	13	24	5	27	24
Tucker	15	16	15	12	13	15	—
Black & Decker	22	9	12	14	10	5	14
Mr. Coffee	9	9	10	3	7	5	16
Corning	11	5	11	4	12	5	4
Sterilite	7	8	7	9	10	—	22
Glad	—	9	11	0.4	18	3	4
Corelle	9	9	5	4	10	3	4
Pyrex	6	6	4	9	8	8	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Discounters Dish Out Top Kudos to Corelle by Corning

The top performing glassware and dinnerware brands vary between conventional and upscale discounters based on *DSN's* annual Top Brands Study.

But, if there is any single brand that came closest to universally meeting the performance needs of both upscale and conventional discounters, it is Corning.

Corelle by Corning is *the* name in dinnerware for discounters. More than eight out of every 10 store managers mentioned Corning or the Corelle brand when asked to name their best performing brands in the glassware and dinnerware category.

But the brand was stronger at conventional discounters than at upscalers; 87% of store managers at a conventional discounter like Wal-Mart compared to 76% at upscalers, like Target. Most of the top 10 brands earned this status due to the vote of store managers at conventional discount chains. Pfaltzgraff was one noteable exception; this top brand was stronger among upscale discounters than conventional chains, and was especially strong in the Northeast.

The reason widely regarded brands like Corelle were mentioned less often by upscalers was due in part to the greater importance of private label brands and of those brands which are usually not stocked or promoted at discount stores.

Private label or store brand glassware and dinnerware (while mentioned by only 4% of all respondents) was rated more important by Target managers.

While most top performing brands among conventional discounters were widely stocked like Libbey, Anchor Hocking, Newcor and Rubbermaid, upscalers more often found their top performers among niche brands or those not usually found in discount stores. Almost twice as many upscale chains had "Other" brands among their top performers—29% vs. 15%. The "Other" category in glassware and dinnerware included those brands which had less than 0.5% of mentions from all discount store managers surveyed.

Target found its top performers among brands not stocked or not promoted at conventional chains; 38% of the top performing brands in glassware and dinnerware were in the "other" category.

Glassware and Dishes: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Corelle	65%	—	67%	—	58%	—
Libbey	38	—	39	—	33	—
Corning Ware	31	—	30	—	34	—
Anchor Hocking	27	—	27	—	25	—
Pyrex	19	—	21	—	11	—
Pfaltzgraff	11	—	11	—	14	—
Newcor	7	—	9	—	—	—
Rubbermaid	7	—	8	—	4	—
J.G. Durand	3	—	3	—	—	—
Revere	2	—	3	—	—	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Corelle	71%	60%	67%	67%	72%	63%	60%
Libbey	38	30	41	47	30	57	32
Corning Ware	31	27	36	28	23	42	30
Anchor Hocking	27	25	23	37	28	18	24
Pyrex	23	16	17	25	13	35	8
Pfaltzgraff	23	7	10	14	2	13	14
Newcor	4	7	12	3	13	12	—
Rubbermaid	6	6	9	5	13	3	2
J.G. Durand	4	4	2	3	5	3	—
Revere	1	2	4	—	3	3	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Brand Differentiation Key in Personal Appliances

DSN's annual Top Brands Survey of discount store managers reflected the pursuit of merchandise differentiation in personal care appliances among the "Big Three" in discounting.

But the brand leaders remained fairly constant: Conair was most often mentioned as a top performer; Clairol rose from 16% of total mentions last year to 27%, beating Norelco and tying with Vidal Sassoon for second place.

Overall, performance of the Top 10 brands in the personal care category rose over last year's totals, reflecting both the growing importance of national brands to the department and a trend toward expanding the category.

About 75% of Kmart managers named Conair as a top performer—more frequently than Wal-Mart and Target managers—while Target managers were more likely than Kmart or Wal-Mart to name Vidal Sassoon or Norelco.

Wal-Mart managers, whose mentions concentrated less on any particular brand than the other two retailers, reported Windmere to be among its top performing personal care brands more often than Kmart or Target. In addition, Wal-Mart's top performers included a brand mentioned by few other retailers: Sunbeam, named by one out of every 10 Wal-Mart store managers.

While each of the Big Three continue to buy and promote brands the other two do not, many of the brands among the Top 10 have a loyal following in one of two retailer camps: upscale discounters or conventional chains.

Brands mentioned most often by conventional chains include Conair (plus its Jheri Redding brand) and Windmere, while Vidal Sassoon, Norelco and Braun were more often named by upscale discounters. Braun, unlike all other brands among the Top 10, had the greatest concentration of its mentions among upscalers other than Target.

Clairol, Remington and Black & Decker received consistent store manager mentions at both types of discount outlets.

Braun joined the brands discount store managers most often named as a top performer in personal care this year, despite the continued dominance of brands like Conair, Clairol and Vidal Sassoon.

Personal Care Appliances: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Conair	55%	57%	55%	60%	55%	45%
Clairol	27	16	27	16	29	22
Vidal Sassoon	27	32	24	30	40	45
Remington	24	21	24	21	24	24
Norelco	22	35	20	35	34	39
Windmere	19	17	21	19	12	8
Jheri Redding	12	12	14	14	3	2
Black & Decker	11	5	10	5	12	6
Braun	9	—	7	—	17	—
General Electric	9	2	9	3	7	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Conair	71%	52%	49%	56%	47%	75%	44%
Clairol	29	26	28	26	30	30	30
Vidal Sassoon	14	29	26	32	27	17	44
Remington	26	23	23	27	25	28	32
Norelco	15	23	22	28	20	22	38
Windmere	15	21	24	11	28	3	12
Jheri Redding	13	8	14	16	2	38	—
Black & Decker	11	7	15	9	12	10	12
Braun	2	5	10	20	7	7	14
General Electric	8	10	6	11	7	8	8

Source: Discount Store News/Leo J. Shapiro & Assoc.

Domestics Category Stays Unruffled by Brand Movement

The domestics department changed little in brand performance over last year, according to a survey of discount store managers who were asked to name top performing brands in each of their departments.

Cannon, mentioned more than any other brand, was an easy winner again, although at a slightly reduced margin over No. 2 J.P. Stevens. Six of 10 managers cited Cannon as a top performer, vs. two of 10 who cited Stevens, which finished close to its sister company, WestPoint Pepperell. Two other Fieldcrest Cannon divisions, Fieldcrest and St. Mary's, also finished in the Top 10.

The only real movement in the chart came at the bottom, where Kmart's Martha Stewart label, blanket manufacturer Beacon Mfg., and towel maker Dundee Mills dropped from the chart, replaced by Newell, Gencraft, and Kirsch. All three are window treatment manufacturers, which may indicate an uptick in window treatment sales. All three have been accentuating programs for mass merchandisers, which may be paying off.

Target managers could have boosted the chain's Merona store label into the Top 20 had they not split their mentions between Merona and "store brand."

Cannon owes its seventh consecutive overwhelming victory to Kmart and Wal-Mart managers, particularly the latter. More than eight of 10 Wal-Mart managers cited the brand as a top performer. Apart from those two chains, mention rates for the brand hovered around four of 10. WestPoint Pepperell and St. Mary's finished a close second or third behind Cannon at upscale discounters as a whole and at Target in particular.

Similarly, Stevens would have been a closer second had not several of its brands (TasteMaker, Gloria Vanderbilt) been mentioned separately.

Apart from Cannon, this is a category with very little brand recognition. Some managers actually listed "percale" as a brand, for instance. Nevertheless, there were more brands mentioned as top performers than ever, 33 in all. Among them were Dundee, Burlington, Kenney, Thomaston Mills, Graber, Santa Cruz, Hollander, Hygiene, Regal, Beacon and Martex. This may reflect the growing number of brands now selling in the mass market, or now selling better goods to discounters.

By chain, there were some variations in perceived brand performance. Managers at Target, for instance, were very high on Kirsch, Pepperell, St. Mary's, and, of course, Merona. Wal-Mart, apart from its overwhelming rate for Cannon, went for J.P. Stevens, Pepperell, Newell and Gencraft more often than discounters as a whole. Kmart managers mentioned fewer brands and less often than did other discounters.

Domestics: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Cannon	62%	66%	67%	72%	38%	42%
J.P. Stevens	20	21	20	22	22	20
Pepperell/Lady Pepperell/Westpoint	20	19	18	19	30	19
St. Mary's	17	16	13	15	35	24
Springs/Spring Mills	7	9	7	9	9	11
Dan River	5	3	4	3	8	—
Fieldcrest	5	3	4	2	7	6
Newell	4	—	5	—	12	—
Gencraft	4	—	5	—	2	—
Kirsch	4	—	2	—	14	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	North Northeast	South	Central	West	Wal-Mart	Kmart	Target
Cannon	52%	64%	65%	57%	82%	58%	40%
J.P. Stevens	27	15	21	24	28	17	18
Pepperell/Lady Pepperell/Westpoint	14	29	12	20	33	10	34
St. Mary's	14	22	13	19	8	17	36
Springs/Spring Mills	12	8	6	7	12	2	6
Dan River	10	2	6	4	3	3	—
Fieldcrest	5	2	10	1	3	7	8
Newell	3	6	5	—	12	—	2
Gencraft	4	8	3	—	12	—	—
Kirsch	—	2	7	8	—	—	22

Source: Discount Store News/Leo J. Shapiro & Assoc.

Tide Cleans Up in Chemicals

The race for the top spot among national brands in the household cleaners and chemicals category, according to discount store managers, was again a clean sweep for Tide.

Strengthening its position as the top brand in the household cleaners and chemicals category with two-thirds of all mentions by store managers, Tide gained even more momentum at Target than at any other chain. In fact, four out of five Target managers mentioned Tide as a top performer, more than twice the number of mentions No. 2 Clorox received.

The gap between Tide and Clorox was much closer among Kmart and Wal-Mart managers who were asked to name their top performing brands in the department.

At Wal-Mart, seven of 10 managers said that Tide was a top performing brand in 1991, compared with half of the managers surveyed, who mentioned Clorox. At Kmart, half the managers who were asked said Tide was a top performer, compared with a little over one-third of them, who named Clorox as a top performer.

Purex was third overall, due mostly to strong support by Wal-Mart managers. But at Target, the No. 3 brand was Wisk, and at Kmart, Windex was in third place.

Overall, brands play a much greater roll in the cleaners category than they ever have before. This year, for example, store managers named an average of 3.9 brands as top category performers, more than in any other previous year, and more brands than in any other category surveyed except for food/candy/snacks, where managers had named an average of 4.1 brands as top performers.

***Tide, endcapped here** at Ames, Rocky Hill, Conn., was named by four out of five managers as a top performer at discount.* (DSN photo)

This year, 52 cleaners were specifically mentioned as top performers, not including store brand/private label, which fared poorly in this top brands survey.

In fact, only one store manager, from Wal-Mart in the southern region, mentioned store/private label as being a top performer. No other manager even mentioned their company's store brand as top performers, although both Kmart and Wal-Mart have major investments in control labels in the household cleaner and chemicals category.

It would seem that perhaps Kmart and Wal-Mart managers made a conscious separation between their chains' store labels—and their control brands—such as Prevail at Kmart. If so, these labels, combined with others not mentioned in the survey, probably regional brands, performed very well.

At Wal-Mart, one-third of the store managers said "other" labels performed well, compared to just one-fourth of the Kmart managers and nearly one-fifth the Target managers.

Prevail, Kmart's control label for household cleaners, sells so well that manager responses made it the 44th-ranked brand on the 1992 survey, ahead of such venerable brands as Liquid Plumber and SOS, which followed it on the chart.

Household Cleaners: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

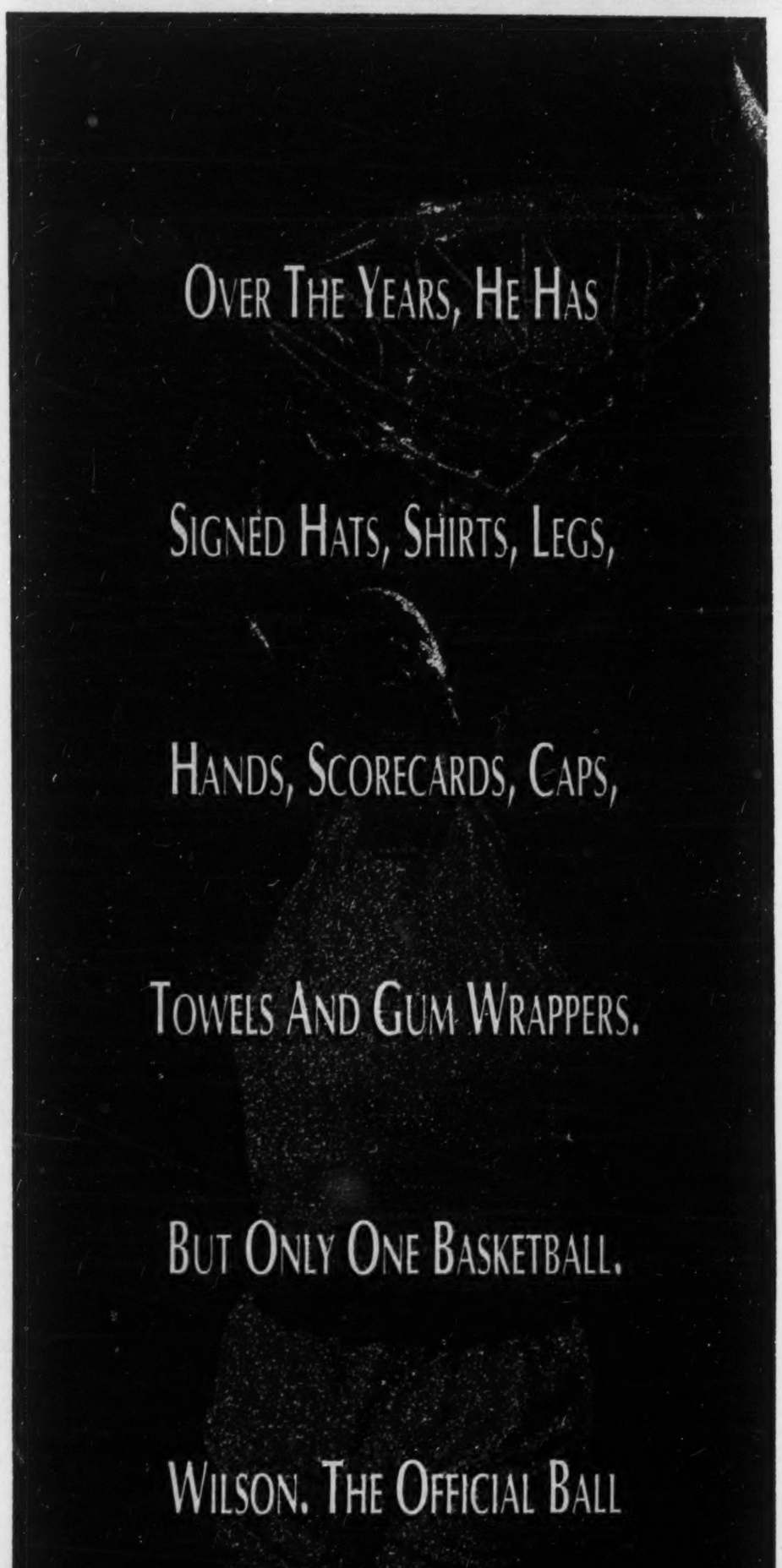
	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Tide	62%	60%	58%	59%	80%	70%
Clorox	39	36	39	35	36	41
Purex	19	13	23	15	2	2
Windex	16	25	17	25	13	26
Proctor & Gamble	15	25	17	24	8	33
Lysol	13	8	14	8	11	10
Dow	13	14	14	14	11	18
Cheer	13	15	11	15	21	16
Downy	12	0	10	0	25	0
Dawn	12	12	13	13	8	13

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Tide	65%	61%	67%	54%	70%	52%	80%
Clorox	38	35	47	33	52	37	38
Purex	16	29	17	—	37	18	—
Windex	13	10	22	20	—	25	18
Proctor & Gamble	12	21	15	—	27	13	—
Lysol	—	14	—	16	12	16	—
Dow	16	11	13	17	—	22	—
Cheer	—	13	16	10	15	—	26
Downy	14	—	17	15	12	—	20
Dawn	—	15	13	—	17	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.



Kodak Name Nearly as Strong In Cameras as It Is in Film

The separation of film from the photo/camera department in this year's top brands survey had little effect on Kodak's dominant position as the top performing photography brand in discount stores.

The imaging giant garnered 71% of the total mentions of discount store managers who were asked to name their top performing photo and camera brands. Last year, when respondents included film in their consideration, Kodak collected 82% of the total mentions of top performers. In the new survey category of film, Kodak snared an amazing 97% of mentions.

While the creation of a separate category for film did little to dent Kodak's strong performance, it did highlight several camera brands that are strong discount store performers.

Canon, with 56% of store managers mentioning it as a top performer, snared second place on the Top 10 list of camera and photo brands, while Polaroid came in a virtual tie for the third post with Minolta, 43% and 42%, respectively.

Pentax, Vivitar and Nikon held steady in the middle range of the list, with 15%, 13% and 10% of total responses, respectively, while Fuji, perhaps because film was taken out of the category, dropped from fifth overall last year to eighth, with 8% of manager responses. (Fuji did grab a solid third in the film only category, see story on page 75.)

A separate category for film did little to dent Kodak's strong performance, but it did highlight several camera brands that are strong discount store performers.

Olympus and Keystone noted gains in manager perception of their performance at retail. Olympus was viewed as a Top performer by 7% of store managers, up from just 2% last year. Keystone made the Top 10 for the first time since 1988, with 4% of managers mentioning it as a top performer.

Only 2% of store managers said that there has been any increase in the number of national name brands they are carrying in this category, but that is an increase from just 1% who said so last year. So, apparently, there has been some widening of name brand selection in the photo and camera departments of discount department stores in the past year.

Among individual chain preferences, most of the top brands were considered strong performers almost universally, with a few exceptions. Vivitar, for instance, performed much more strongly at all discount chains than with Kmart, Wal-Mart and Target managers. Apparently, that brand is carving out a strong niche among discounters who want to sell something different than what the Big Three are offering.

Nikon, on the other hand, received its strongest endorsement from Target store managers, 26% of whom named Nikon among its best performing brands. Olympus is another brand that owes its strong showing to Target managers. Twenty percent of Target managers and 16% of all upscale discounters named Olympus as a top performer vs. just 7% of all managers surveyed.

Fuji received better than average consideration from Kmart and other conventional discount chains, but was hardly mentioned by managers of Wal-Mart, Target and upscale discounters.

Keystone made its mark as a favorite among Wal-Mart managers.

Photo, Camera: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

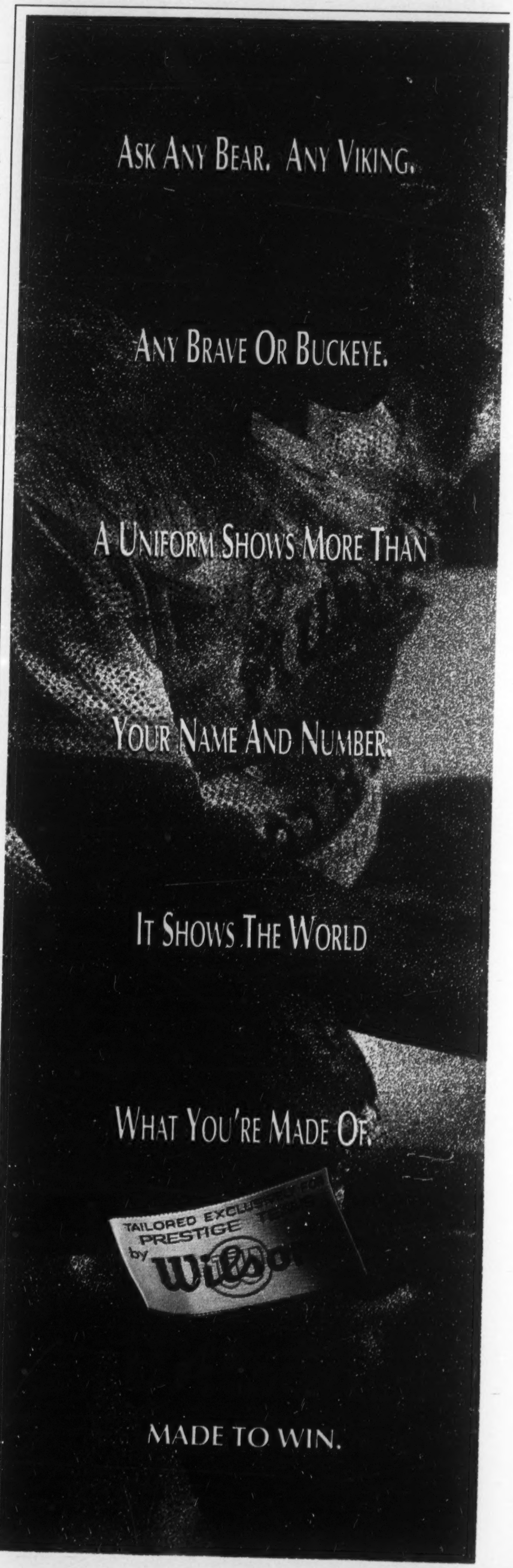
Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Kodak	71%	82%	73%	83%	62%	74%
Canon	56	41	55	41	59	42
Polaroid	43	33	47	32	24	30
Minolta	42	21	41	20	48	25
Pentax	15	10	11	8	35	19
Vivitar	13	8	11	7	20	12
Nikon	10	7	8	6	17	14
Fuji	8	13	9	15	3	5
Olympus	7	2	5	2	16	4
Keystone	4	1	5	2	1	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Kodak	70%	65%	72%	83%	72%	77%	54%
Canon	38	58	59	58	73	60	70
Polaroid	40	52	43	26	58	43	24
Minolta	38	32	55	40	45	55	62
Pentax	21	6	15	30	8	15	32
Vivitar	10	12	8	27	8	3	14
Nikon	8	8	14	7	8	13	16
Fuji	5	3	11	13	2	13	4
Olympus	11	5	6	8	—	8	20
Keystone	6	6	3	0	7	3	—

Source: Discount Store News/Leo J. Shapiro & Assoc.



Kodak: Most Recognized In Store Manager Survey

Kodak, a name that automatically pops into most consumers' minds when they hear the word film, was the brand most often mentioned this year by store managers as a top performer in the film category.

With 97% of store managers mentioning it as a top performing name brand, Kodak attained the highest rate of mentions of all categories in *DSN*'s Top Brands Survey.

In the past, film brands were included in the total results for the photo & camera department. This year, *DSN* separated film in an effort to get more detailed information on film brand performance without the complicating factor of a brand's similarly named camera or photo accessories brands.

Responses to this year's question, "What are your top performing brands in the film category?" were centered on 16 brands, many of which are also top brands in cameras and accessories. The top five brands, however, dominate the listing, as only a very small percentage of store managers mentioned any of the other brands.

The strength of Kodak at the Big Three discounters—Kmart, Wal-Mart and Target—is clearly evident in the findings as 100% of store managers at Kmart and Target and 98% of those at Wal-Mart named Kodak among their best performers. Kodak's strength as the leading film brand cut across both conventional discounters as well as at their more upscale counterparts.

Not only does Kodak dominate in the film category, but in the camera & photo category it was also the No. 1 brand, receiving 71% of mentions from store managers compared to runnerup Canon's 56% of mentions.

While the category is dominated primarily by three brands—Kodak, Polaroid and Fuji—private label brands play quite an important role as well, it appears.

At Kmart, for instance, the chain's private label brand, Focal, placed fifth on the top brands list with 11% of mentions by store managers (and 37% of Kmart managers). Scotch/3M's national name was mentioned by 11% of all store managers, but store brand/private label (which includes such store brands as Target, ShopKo and Fred Meyer, all supplied by Scotch/3M) garnered 13% of total manager mentions.

Just as there are a Big Three in discounting (Wal-Mart, Kmart and Target), the film category is clearly a three-horse race. After Kodak, Polaroid collected 60% of manager mentions while Fuji, the No. 3 ranked brand, recorded 47% of mentions from store managers.

The race gets more interesting when viewed from the perspective of store managers at particular chains. At Kmart, Kodak, Fuji, Polaroid and Focal appear to dominate the film department. At Wal-Mart, the numbers seem to indicate that the mix is concentrated on the three leaders, plus a smattering of Scotch/3M brand film. At Target, the selection is highly focused on Kodak and Polaroid and the Target store brand.

Regionally, Kodak posted impressive numbers across all regions of the nation.

Polaroid was consistent in the Northeast, South and north central region but dropped to only 40% of mentions by store managers in the West.

Fuji posted its strongest numbers in the West with 60% of mentions and was on the minds of four out of five managers in the South and north central region. Fuji had its poorest showing in the Northeast with only 32% of mentions.

Film: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

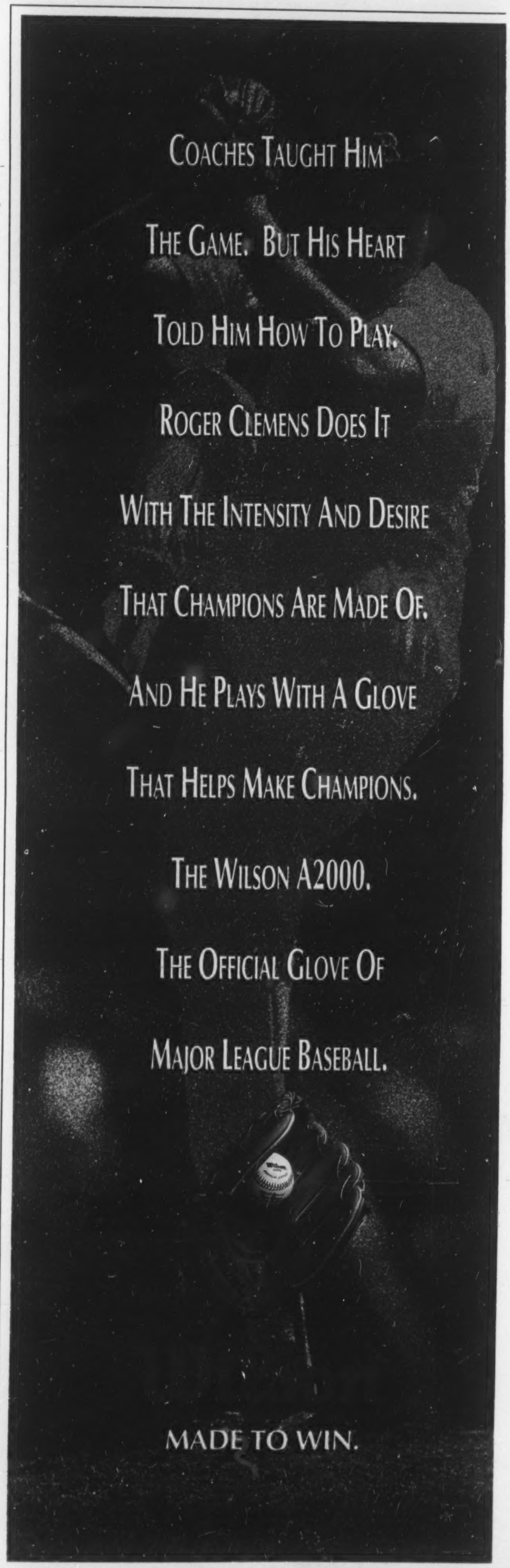
Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Kodak	97%	—	96%	—	100%	—
Polaroid	60	—	64	—	42	—
Fuji	47	—	52	—	26	—
Scotch/3M	11	—	12	—	4	—
Focal	11	—	13	—	—	—
Duracell	2	—	2	—	1	—
Canon	1	—	2	—	—	—
Emerson	1	—	1	—	—	—
Panasonic	1	—	1	—	1	—
Sony	1	—	—	—	3	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions Northeast	South	North Central	West	At the Big Three Wal-Mart	Kmart	Target
Kodak	97%	95%	98%	98%	98%	100%	100%
Polaroid	63	64	65	40	78	58	40
Fuji	33	48	46	60	55	60	6
Scotch/3M	10	15	10	4	17	8	4
Focal	4	5	15	19	—	37	—
Duracell	—	1	4	—	3	2	—
Canon	3	1	—	3	—	3	—
Emerson	—	2	—	—	2	—	—
Panasonic	—	—	2	—	2	—	—
Sony	2	—	0	1	2	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.


COACHES TAUGHT HIM
THE GAME. BUT HIS HEART
TOLD HIM HOW TO PLAY.
ROGER CLEMENS DOES IT
WITH THE INTENSITY AND DESIRE
THAT CHAMPIONS ARE MADE OF.
AND HE PLAYS WITH A GLOVE
THAT HELPS MAKE CHAMPIONS.
THE WILSON A2000.
THE OFFICIAL GLOVE OF
MAJOR LEAGUE BASEBALL.
MADE TO WIN.

Wilson, Coleman Pull Away

Wilson and Coleman dominated the 1992 top brands survey as they have for the past five years.

But they opened a significant gap over No. 3 Spalding, which held its own compared to last year.

Wilson shot up dramatically to capture the No. 1 slot on the Top 10 list, winning the hearts and minds of 52% of store managers who named it one of their top performing sporting goods brands, compared to 39% in 1991.

Wilson has been making a concerted effort over the past year to develop products for the mass market, as well as reducing its concentration on pro shop quality products and prices.

In comparison, Coleman snared 47% of top brand mentions this year, down from 54% last year.

They both opened a major gap on No. 3 Spalding, which again landed 30% of top brand mentions, as it did last year. But Spalding moved up a notch because Zebco, which held the No. 3 spot in 1991, slipped to No. 4 in winning 26% of total mentions, against 36% last year.

Huffy, which had fallen off the '91 Top 10 list, made it back with a fifth place showing, garnering 15% of manager mentions as a top performing brand.

Another newcomer to this year's Top 10 was Rawlings, which tied with Daiwa for No. 9, each with 9% of top brand honors.

Remington and MacGregor tied for the No. 10 spot with 8%.

Rounding out the Top 10, Garcia again landed the No. 6 spot, with 12% of total mentions, while Diversified Products, captured No. 7 with 10%.

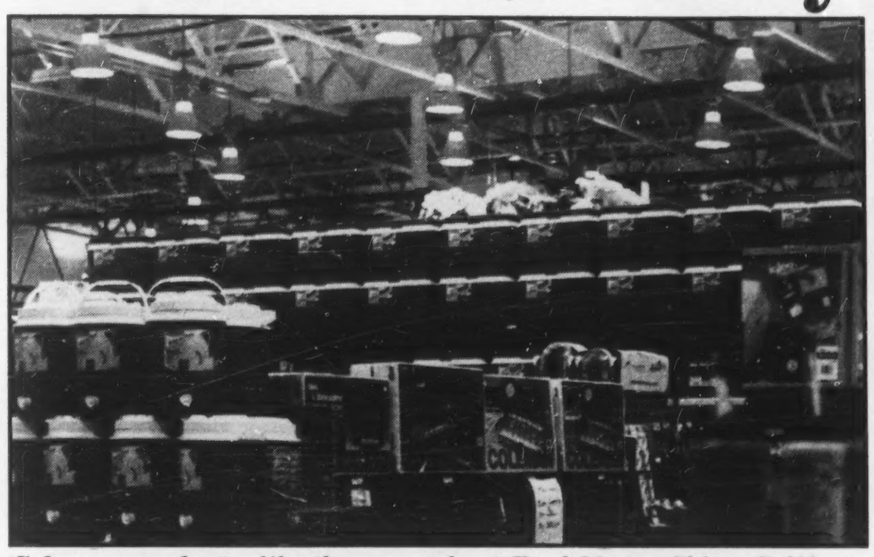
Two of last year's Top 10 brands slipped from this year's list: Igloo, which had held the No. 5 spot with 16% of mentions, and Rubbermaid, which ended in a three-way tie with Daiwa and Diversified for No. 8, with 8%.

Wilson scored somewhat better at Wal-Mart, where more than six out of 10 managers said it was one of their top performing brands, and at Target, where it got the nod of six out of 10 managers. In comparison, more than four out of 10 Kmart managers named it as a top performer.

In regional variations, Wilson performed best in the West, where 61% of managers cited it, and the South, 57%. In comparison, it drew top brand mentions from 36% of Northeast managers and 48% of those in the North Central region.

Coleman scored best with Wal-Mart, where six out of 10 managers named it a top brand, compared to about four of 10 at Kmart and Target.

Coleman stood out in the North Central region, where 61% of managers gave it top brand status, compared to 36% in the South; 47% in the West; and 41% in the Northeast.



***Coleman products,** like these on sale at Fred Meyer, Chico, Calif., received 47% of top brand mentions, earning them the No. 2 spot.* (DSN photo)

Sporting Goods: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

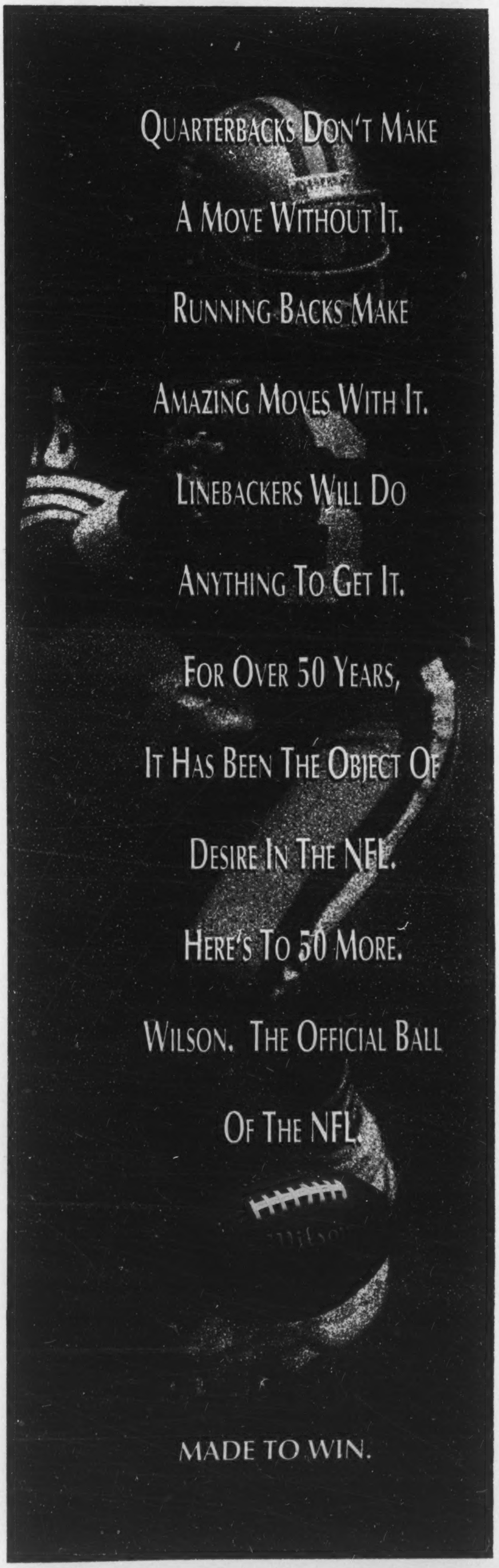
Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Wilson	52%	39%	51%	36%	58%	51%
Coleman	47	54	49	55	39	49
Spalding	30	31	25	28	51	39
Zebco	26	36	30	38	7	22
Huffy	15	2	11	2	31	5
Garcia	12	10	14	11	1	3
Diversified	10	8	8	7	20	10
Daiwa	9	8	10	9	7	5
Rawlings	9	0	9	0	11	0
Remington	8	2	10	2	—	—
MacGregor	8	—	7	—	14	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions Northeast	South	North Central	West	At the Big Three Wal-Mart	Kmart	Target
Wilson	36%	57%	48%	61%	65%	45%	60%
Coleman	41	36	61	47	62	43	38
Spalding	42	23	30	53	30	25	51
Zebco	9	38	24	19	45	28	6
Huffy	21	9	20	14	—	18	38
Garcia	4	11	14	16	17	17	2
Diversified	17	13	8	2	12	3	30
Daiwa	9	5	13	11	12	10	2
Rawlings	2	8	12	11	15	3	10
Remington	—	12	11	—	17	8	—
MacGregor	8	5	10	12	3	15	14

Source: Discount Store News/Leo J. Shapiro & Assoc.



TOP BRANDS

Stanley, B&D Nail Down Top Hardware Spots

Stanley and Black & Decker drew to a virtual dead heat in this year's top brand rankings among discount store managers.

B&D edged out Stanley by a hair, with 75% of 300 store managers surveyed citing it as one of their top brands. That compares with 74% of managers who mentioned Stanley.

In comparison, Glidden drew 14% of top brand mentions to merit its No. 3 spot.

Out of the last six top brand surveys, B&D and Stanley each drew the top spot three times, usually separated by just two to three percentage points. But in the 1992 soundings, the gap shrank to an all-but-invisible 0.4%.

On the Top 10 list, General Electric nudged Skil out of the No. 4 spot, with 13% of store managers citing it as one of their top brands. In 1991, GE stood at No. 8, with 3% of top brand mentions.

Although Skil dipped to No. 5 on the comparison list, it improved its showing overall by winning 12% of top brand citations this year, compared to 6% in 1991.

Shop Vac was a newcomer to the Top 10 list, winning 10% of mentions to place it in the No. 6 spot. Trailing closely were: Dutch Boy and Rubbermaid, each 9%, and Bull Dog 8%.

Another newcomer is Popular Mechanics, the name that Wal-Mart licensed from the magazine for its new line of private label hardware products it began introducing this summer. It drew 3% of top brand mentions, all, of course, from Wal-Mart managers.

In chain variations, B&D is much stronger with Kmart managers, 85% of whom mentioned it as a top brand, than at either Target, 72% or Wal-Mart, 70%.

The same pattern emerged for Stanley: 92% of Kmart managers cited it as a top brand, compared to 70% of both Wal-Mart and Target managers.

In another statistically significant variation among chains, GE made its strongest showing at Wal-Mart, 27%, and Target, 26%, compared to 3% at Kmart.

Among regional variations, B&D stands taller with southern managers, landing 77% of their top brand mentions, and in the North Central region with 78%. Its strength waned to 40% of managers in the West and tapered off to 29% in the Northeast.

Hardware: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Black & Decker	75%	74%	74%	72%	78%	88%
Stanley	74	77	76	77	69	75
Glidden	14	13	11	13	26	18
General Electric	13	3	12	2	19	9
Skil	12	6	12	7	13	2
Shop Vac	10	1	10	1	11	—
Dutch Boy	9	5	11	6	—	2
Rubbermaid	9	2	5	1	29	1
Bull Dog	8	2	9	2	—	—
Popular Mechanics	3	—	4	—	12	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Black & Decker	74%	72%	78%	75%	70%	85%	72%
Stanley	72	68	78	83	70	92	70
Glidden	18	16	7	19	13	17	24
General Electric	12	15	17	5	27	3	26
Skil	2	14	13	14	20	3	10
Shop Vac	10	6	15	10	5	15	12
Dutch Boy	7	11	11	6	18	13	—
Rubbermaid	13	6	11	10	3	5	34
Bull Dog	4	12	6	4	23	—	—
Popular Mechanics	—	5	4	—	12	—	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

Motor Oils Monopolize Top Auto Brand Performers

Motor oils might provide discounters with slippery profits, but oil brands, nonetheless, continue to monopolize the brands rankings as top performers in the automotives department.

Led by Pennzoil for the third year in a row, six motor oil brands make the Top 10 chart, along with Fram oil filters and STP, best known for its motor oil additives.

In taking top honors, Pennzoil opened the gap between it and No. 2, Havoline.

This year, 47% of discount store managers surveyed named Pennzoil as one of its top brands, compared to 37% who cited Havoline.

That compares with 40% in 1991 for Pennzoil and 35% for Havoline.

From 1987 through 1989, Pennzoil swapped first place on the Top 10 chart with Quaker State. But in 1992, Quaker State tied with Fram for the No. 3 spot, each with 30% of managers' top brand citations.

Prestone slipped to a fourth place tie with Valvoline, both with 27%, from No. 3 and 34% in '91.

Turtle Wax declined even more, to seventh place and 11% of top brand mentions, from No. 5 and 30% in '91.

Armor All, which held the No. 7 spot last year with 16% of mentions, fell off the chart.

Newcomers this year were another oil brand, Mobil, and AC/Delco, the only hard parts brand unrelated to oil, which both tied for last place on the Top 10 chart with 10%.

Pennzoil was a top brand in the minds of slightly more Target managers, six out of 10, compared to about five out of 10 Kmart and Wal-Mart managers.

Pennzoil Strong in West

In a regional variation, Pennzoil stood out in the West, where about eight of 10 named it a top brand. In comparison, only three of 10 managers in the Northeast and South regarded it as a top performing brand, while six of 10 managers in the North Central region named it a top performer.

Four of 10 managers predict that sales of Pennzoil will increase more than 10% this year.

Thanks to support from Wal-Mart managers, Houston-based Havoline was a clear standout in the South, where more than five of 10 managers named it as a top brand, compared to three of 10 in the West and North Central regions and two out of 10 in the Northeast.

Of Wal-Mart managers, five of 10 named it a top brand, compared to four of 10 Kmart managers and less than three out of 10 Target managers.

Fram got top brand honors from five out of 10 Target and Wal-Mart managers polled, but less than two of 10 Kmart managers thought of Fram as a top performing brand.

Automotives: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Pennzoil	47%	40%	48%	39%	46%	45%
Havoline	37	35	42	38	18	18
Fram	30	12	28	11	42	24
Quaker State	30	31	32	31	24	32
Prestone	28	34	28	34	25	40
Valvoline	27	17	27	16	29	22
STP	19	15	21	15	10	13
Castrol	12	9	11	8	16	14
Turtle Wax	11	30	9	33	20	17
Mobil	10	—	7	—	23	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Pennzoil	32%	30%	56%	78%	47%	50%	60%
Havoline	20	54	31	30	50	42	26
Fram	37	29	34	23	47	17	50
Quaker State	41	22	30	40	23	30	18
Prestone	21	26	27	37	30	23	18
Valvoline	16	24	34	29	25	25	36
STP	15	27	17	12	25	20	8
Castrol	23	19	1	11	15	7	12
Turtle Wax	13	12	7	16	7	15	12
Mobil	28	10	4	6	2	8	22

Source: Discount Store News/Leo J. Shapiro & Assoc.

TOP BRANDS

American Greetings Continues Reign in Cards

Unlike most discount store merchandise categories, the greeting card department is essentially a one brand operation at most chains. And as in the past three years, American Greetings collected the largest percentage of manager mentions as a top performing brand.

The nation's largest publicly held greeting card company topped the strong position it held in last year's survey, garnering 63% of total mentions as a top performing brand (up from 60% last year). Apparently, American Greetings is accumulating more outlets than other greeting card companies in the discount store sector.

In general, each store manager identified just one brand of greeting cards as a top performer in the category, essentially, the one brand his or her store carries. That kind of exclusivity does not occur in other departments.

Vendor exclusivity in the greeting card department is unlikely to change anytime

(Continued on page 86)

***Sangamon tied with Gibson for third place**, mainly because of the company's brisk business at Kmarts, like this one in Oak Park, Mich.*

Greeting Cards: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
American Greetings	63%	61%	63%	58%	67%	69%
Ambassador	23	17	21	14	33	31
Sangamon	5	5	6	6	—	—
Gibson	5	7	6	8	—	—
Hallmark	3	4	2	3	7	7
Recycled Paper Products	2	—	—	—	9	—
Shoe Box Greeting	1	—	1	—	1	—
Forget Me Not	1	—	1	—	—	—
Store Brand/Private Label	1	—	1	—	—	—
Other	2	—	1	—	2	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
American Greetings	73%	66%	58%	62%	60%	73%	48%
Ambassador	15	18	26	36	28	12	52
Sangamon	4	1	10	3	3	13	—
Gibson	5	6	5	1	8	—	—
Hallmark	—	3	1	6	2	2	6
Recycled Paper Products	—	1	3	2	—	—	18
Shoe Box Greeting	6	—	—	2	2	—	—
Forget Me Not	—	2	0	—	—	—	—
Store Brand/Private Label	4	—	—	—	—	2	—
Other	4	2	0	1	3	—	4

Source: Discount Store News/Leo J. Shapiro & Assoc.

Top Stationery Brands Improve Performance at Retail

The average number of top performing brands in the stationery department grew by 56% last year to 2.5 brands. Last year, store managers, on average, named only 1.6 brands each as among their top performing labels.

No other category came close to that kind of increase in the past year. Even with that growth, however, stationery was still among nine merchandise categories with the fewest number of brands mentioned by managers as top performers.

Nevertheless, the survey appears to indicate that more name brand products are performing extremely well in discount stores' stationery departments than ever before.

For example, in previous years, the top brands list in stationery featured one prominent label, Mead, and one to two other runnersup. Usually, more than half the brands on the Top 10 stationery list received fewer than one in 10 manager mentions as a top performing brands. Not in 1992.

This year, Mead and Bic held the top two spots on the brands list for the sixth time in a row. This time, though, the margin between the two stationery department brands closed considerably. Mead was mentioned as a top performer by fewer than six in 10 managers, while Bic was mentioned by four in 10.

Meanwhile, the remaining top brands underwent significant changes in order.

Papermate, which received only 6% of responses last year, leaped up two spaces to third, with 20% of managers naming it a top performing brand.

Crayola, which fell off the Top 10 list last year, was back again and in fifth place with one out of six manager responses. Scotch/3M was again in the No. 6 spot, but its response rate among managers ballooned from 3% to 13% this year.

Pentel, in seventh this year, also strengthened its position in managers minds, garnering 11% of responses compared with only 3% last year.

Among the nation's top dis-

(Continued on page 86)

***The survey shows** name brands sell better than ever at stores like this Orange Park, Fla., Target.*

Stationery: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Mead	57%	60%	57%	60%	56%	65%
Bic	40	26	39	25	44	36
Papermate	20	6	21	6	14	2
Stuart Hall	19	19	20	16	14	28
Crayola	17	—	16	—	23	3
Scotch/3M	13	3	12	3	16	2
Cambridge	12	12	11	12	14	10
Pentel	11	3	11	3	12	3
Elmers	5	—	5	—	8	—
Parker	5	3	5	2	3	6

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Mead	37%	58%	59%	66%	53%	50%	68%
Bic	44	34	49	32	43	32	44
Papermate	19	19	21	22	13	33	16
Stuart Hall	9	24	16	19	40	—	20
Crayola	9	19	20	16	10	23	32
Scotch/3M	15	13	12	14	10	17	14
Cambridge	9	11	13	12	3	22	18
Pentel	2	11	6	27	8	12	10
Elmers	—	6	5	7	3	7	8
Parker	4	6	5	—	5	3	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

TOP BRANDS

Increased Volatility Marks the H&BC Category

The health & beauty care categories witnessed extensive changes this year, marked by strikingly improved showings by two hair care brands, Suave, which jumped to No. 2 from No. 5 last year, and Aqua Net, which made the Top 10 ranking for the first time in 10th place.

Concurrently, some of the nation's best known H&BC names received lower overall responses as well as fewer citations from conventional and upscale discount store managers.

While Crest retained the top spot, its response figure dropped 14 percentage points; Colgate's mentions fell six percentage points, resulting in the brand slipping to No. 3 from No. 2 last year, as Suave's citations jumped 86% and it shot into No. 3 from the fifth position in 1991.

The two other brands that received lower citations were McNeil Lab, off four percentage points, and Johnson & Johnson, down three percentage points. The declines for these four brands were countered by higher mentions for five of the other six Top 10 names, with Listerine receiving the same citations.

This shifting in mentions and resulting reshuffling in standings points increased the volatility of this category, whose tracking this year covered 84 different brands, a 7.1% jump from the 70 noted in last year's survey. H&BC consistently includes more brands than any other category and more store managers cited the department with the greatest increase in brands than the next department, housewares.

Suave's big jump reflected its status among upscale discounters and Target managers, both of whom actually listed it rather than Crest, as No. 1. The brand was ranked second among conventional discounters and Wal-Mart and Kmart managers.

Aqua Net's showing can be attributed to its strong citation by Wal-Mart managers, who ranked it No. 4, while Kmart managers listed it No. 9.

The two names, Johnson & Johnson and Procter & Gamble, which are actually parents of a host of brands, fared differently: the former fell one spot from fourth to No. 5, while the latter went up one place from seventh to No. 6. Johnson &

(Continued on page 86)

Health & Beauty Care: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Crest	30%	44%	30%	43%	31%	54%
Suave	26	14	24	14	33	8
Colgate	18	24	17	24	23	26
McNeil Lab	17	22	17	23	20	17
Johnson & Johnson	17	20	16	21	20	21
Procter & Gamble	15	12	15	12	16	15
White Rain	15	8	15	9	13	8
Listerine	13	13	14	14	9	14
Clairol	12	9	13	10	7	6
Aqua Net	9	2	11	3	1	1

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: North Northeast	South	Central	West	At the Big Three: Wal-Mart	Kmart	Target
Crest	30%	28%	33%	31%	38%	23%	30%
Suave	28	20	24	38	23	22	38
Colgate	24	20	19	7	18	18	28
McNeil Lab	11	17	14	29	18	10	16
Johnson & Johnson	14	22	14	13	18	15	14
Procter & Gamble	19	13	21	8	10	23	10
White Rain	2	17	15	20	12	17	18
Listerine	12	9	20	10	22	7	8
Clairol	15	11	12	13	5	20	8
Aqua Net	7	9	12	7	20	8	2

Source: Discount Store News/Leo J. Shapiro & Assoc.

Fisher-Price Tops Toys Again; Hasbro Takes Big Leap Up

For the sixth year in a row, more discount store retailers named Fisher-Price as a top performing brand in their toy department than named any other national brand.

However, Hasbro made the biggest leap in performance, with three of the company's toy labels all making significant gains in this year's top brands survey ranking. Altogether, Playskool, Hasbro and Milton Bradley gained 17 percentage points over their top brands standings from a year ago.

As in 1991, two-thirds of all managers surveyed said Fisher-Price is a top performing brand in their toy department, as the toy maker stretched its lead over Mattel from two percentage points last year to seven in the latest survey.

Just over half of the managers surveyed named Mattel as a top performing brand, compared with 60% who did so last year.

Playskool, a Hasbro division, was mentioned as a top performer by just under 42% of the surveyed managers, up from 37% in 1991 and 32% in 1990. Hasbro was mentioned by 19% of store managers, a good enough rate to tie the company for the sixth spot on the Top 10 list.

The survey's results appear to indicate that retailers, like consumers, are sticking with the old reliable names rather than taking chances with upstart companies. As a result, just 5% of managers said the number of brands in their toy department increased in the past year.

On average, store managers each named 3.7 national brands as top performers in the toy department, the highest total in the past six years, and a testament to the depth and strength of the labels appearing on the Top 10 list.

Last year, managers named an average of 2.9 brands in the toy category, which coincidentally, was also the average for all 22 product categories that were surveyed in this year's report.

In only two categories did store managers name more than 3.7 top performing brands: household cleaners and chemicals, where they named 3.9 brands, and food/candy/snacks where they named 4.1 brands.

Overall, the 1992 top brands list for toys looks a lot like the 1991 survey with a few exceptions. Teenage Mutant Ninja Turtles—which is really a license for a wide range of products that span numerous categories and manufacturers—ended its two-year stay on the Top 10 list. The Turtles crawled down to 16th place among national brands as a top performer.

Milton Bradley, another Hasbro division, made the biggest year-to-year advance on the Top 10 list, garnering

(Continued on page 88)

Toys: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	All Discounters 1992	All Discounters 1991	Conventional Discounters 1992	Conventional Discounters 1991	Upscale Discounters 1992	Upscale Discounters 1991
Fisher-Price	62%	62%	60%	62%	73%	67%
Mattel	55	60	54	59	58	66
Playskool	42	37	43	36	37	35
Little Tikes	29	29	30	30	29	22
Milton Bradley	24	13	24	13	20	17
Hasbro	19	18	19	17	21	26
Lego	19	15	16	15	34	17
Huffy	12	12	13	13	5	13
Murray	12	4	14	4	—	2
Parker Brothers	11	2	11	2	7	4

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

Brand	Regions: Northeast	South	North Central	West	At the Big Three: Wal-Mart	Kmart	Target
Fisher-Price	69%	68%	60%	50%	57%	57%	73%
Mattel	48	52	51	73	47	55	58
Playskool	57	38	49	25	30	57	34
Little Tikes	47	32	22	25	35	25	18
Milton Bradley	32	17	31	15	18	33	20
Hasbro	2	24	14	32	18	25	20
Lego	22	8	16	41	7	25	24
Huffy	—	13	19	5	35	—	2
Murray	3	15	18	—	37	—	—
Parker Brothers	12	6	15	11	2	20	6

Source: Discount Store News/Leo J. Shapiro & Assoc.

TOP BRANDS

M&M/Mars, Hershey's Snack on Top Spots

M&M/Mars markedly strengthened its hold on the top spot in the food, candy, snacks category in *DSN's* 1992 Top Brands survey.

Hershey's also improved its standing and, aided by strong showings among Kmart and Target managers, just managed to slide past Frito-Lay to recapture the No. 2 position as the latter snack food—which was No. 1 only two years ago—slipped to third place.

M&M/Mars just includes M&Ms and Mars brands, not the company's other labels like Snickers, Three Musketeers and Milky Way. The performance of these products has varied greatly in past trackings, showing up among the Top 10 in some years and not in others. Snickers is a case in point, at No. 9 this year after barely receiving any responses from store managers in 1991.

Among the top brands, only Planters lost any ground this year as just one in five managers cited the product, compared to slightly more than one in three last year.

America's diversified taste in food, candy and snacks is evident for the category rankings; the nation's sweet tooth was responsible for the two chocolate brands capturing the top two spots, while the desire for salty snacks enabled Frito-Lay to come in third, an insignificant one percentage point behind Hershey's.

Even though Frito-Lay was, statistically, third, its overall citations by conventional and upscale discount store managers were higher this year than in 1990, when it was No. 1. Its slip to No. 3 this year was due to a 14 percentage point drop in mentions by upscale discount store managers, along with fewer citations among the Big Three: Wal-Mart, off five percentage points, Kmart, 15 percentage points, and Target, 14 percentage points.

Along with Frito-Lay most other brands had higher responses this year than in 1991; the exceptions were Planters' sharp decline, no change in Sathers citation and an insignificant two percentage point drop for Brach's.

Eight of the brands made the top 10 last year. New to the top rankings this year were Snickers and Keebler, which replaced two cola carbonated drinks that are now part of the beverages tracking, the first time that category has been followed in *DSN's* exclusive survey of the nation's top brands.

Overall, four dozen brands were noted by store managers, 23% more than the 39 named last year. The number of brands cited has been steadily growing over the years, testifying to the increasingly important role that food, candy and snacks is playing in discounters' merchandising programs.

All the top brands were mentioned by the Big Three except for Sathers, which wasn't mention by Wal-Mart managers.

Food, Candy, Snacks: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
M&M/Mars	74%	47%	74%	45%	72%	53%
Hershey's	45	33	45	32	49	29
Frito-Lay	44	38	46	37	34	48
Nabisco	28	17	30	16	23	20
Planters	20	36	20	36	20	41
Little Debbie	19	12	21	13	13	7
Sathers	17	17	21	20	2	1
Brach's	16	18	18	17	10	14
Snickers	15	1	16	1	10	2
Keebler	11	8	11	8	16	13

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
M&M/Mars	70%	78%	75%	66%	72%	77%	78%
Hershey's	55	39	43	56	32	55	44
Frito-Lay	31	38	58	39	57	45	34
Nabisco	7	35	29	29	42	33	32
Planters	14	20	21	22	20	10	26
Little Debbie	17	27	17	9	35	15	6
Sathers	22	1	17	24	—	43	4
Brach's	14	20	15	14	25	5	12
Snickers	13	19	12	14	17	15	8
Keebler	2	14	11	13	10	12	26

Source: Discount Store News/Leo J. Shapiro & Assoc.

Conventional Chains Gotta Have Pepsi; Upscalers, Coke

Pepsi and Coke, as expected, dominated the beverage category, one of three new classifications added to *DSN's* Top Brands survey this year as the newspaper's exclusive tracking continued to refine its listing of the performances of the nation's major brands as reported by discount store managers.

The new beverage category contains a variety of carbonated and non-carbonated drinks which in past surveys had been listed as part of the foods, candy and snacks category.

The 10 top sellers list breaks down to five carbonated drinks that includes one 'captive' brand and five non-carbonated beverages: three juices, one sports drink and one children's drink. All told, 29 different beverages were cited by name in the survey.

While Pepsi and Coke ranked No. 1 and No. 2, the two percentage points difference in their actual figures, 76% vs. 74%, is statistically insignificant. The bottom line is that each soda was cited by about three out of four store managers, testifying to the promotional support and consumer appeal of these two brands.

The more interesting differences in the performance of the Top 10 brands can be found in how each of these beverages fared between conventional and upscale discounters, regionally and among the Big Three chains.

Pepsi ranked highest at conventional discounters and, regionally, in the South and West, while Coke was tops among upscale discounters and in the Northeast and North Central region. Pepsi was first at Kmart, while Wal-Mart managers cited Coke as No. 1; the two drinks were even among Target managers.

The other beverages showed great ranking diversity. Ocean Spray was No. 3 among all discounters and only kept this ranking among conventional chains, in the South, North Central region and West and at Wal-Mart. It tied for third with Kool-Aid at Kmart and was No. 6 at Target. Hi-C was No. 3 at upscale discounters and in the Northeast and at Target, but was just No. 7 at conventional discounters, while fourth in the Northeast and North Central region, tied for sixth in the South and fifth in the West and was next to last in the listing at Wal-Mart.

Beverages: The Top Brands

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	All Discounters		Conventional Discounters		Upscale Discounters	
Brand	1992	1991	1992	1991	1992	1991
Pepsi	76%	—	76%	—	76%	—
Coke	74	—	72	—	81	—
Ocean Spray	29	—	30	—	23	—
Hi-C	16	—	11	—	36	—
Gatorald	13	—	15	—	7	—
Sam's Choice	12	—	15	—	—	—
Kool-Aid	11	—	13	—	5	—
RC	10	—	9	—	12	—
7-Up	8	—	7	—	16	—
Welch's	6	—	7	—	—	—

How the Top Brands Fare by Region and by Chain

(% of Retailers Naming Each Brand as a Top Performer in Dept.)

	Regions				At the Big Three		
Brand	Northeast	South	North Central	West	Wal-Mart	Kmart	Target
Pepsi	57%	74%	77%	93%	72%	88%	96%
Coke	60	70	81	79	77	85	96
Ocean Spray	19	37	27	22	55	17	14
Hi-C	33	8	19	12	7	15	40
Gatorald	11	15	15	10	30	8	6
Sam's Choice	—	20	15	—	42	—	—
Kool-Aid	17	12	13	3	17	17	4
RC	2	12	12	7	17	2	16
7-Up	3	2	14	15	3	3	22
Welch's	—	8	9	--	15	5	—

Source: Discount Store News/Leo J. Shapiro & Assoc.

TOP BRANDS

American Greetings Still the Tops in Cards

(Continued from page 80)
soon, as the combination of brands would make a comprehensive merchandising program untenable. Instead, the mixture of brands is available in the stationery part of the business.

Greeting cards were separated from stationery in the top brands survey three years ago to better identify the major players in this highly profitable discount store category.

In the three years, American Greetings has topped the list of best performing brands by a wide margin over Ambassador.

However, Ambassador has increased its percentage of manager mentions, from a response of 20% in 1990 to 23% on the current survey.

Gibson, third on both the 1990 and 1991 surveys, is now tied with Sangamon for the third spot on the top brands list, both with 5% of manager responses.

Sangamon's strength is largely due to its association with Kmart. Nearly one-fifth of the Kmart managers named Sangamon a top performing brand, compared to a few mentions by Wal-Mart managers and none by Target. The Sangamon program is not available at Target.

Gibson's appearance on the top brands list is due to responses by Wal-Mart managers and some other conventional discounters. The Gibson program is not available at either Kmart or Target.

Hallmark, which does not operate greeting card departments in discount stores, continues to appear on *DSN's* top brands survey—this time mentioned by managers at all three national chains—perhaps because store managers name it instead of the company's mass market division, Ambassador.

Performance of Brands Growing In Stationery

(Continued from page 80)
counters, Mead was clearly the top performing brand. At Wal-Mart and Target, however, the gap between Mead and Bic was fairly narrow. At Target, Bic and Papermate were nearly even, with one-third of store managers naming it a top performer.

At Wal-Mart and Target, Papermate was fourth and fifth, respectively.

Stuart Hall, No. 4 overall, had its best showing at Wal-Mart, with more than a third of the managers naming it a top performer. The stationery brand also fared well in the southern region of the country with nearly one-fourth of the manager responses.

The only place Mead failed to capture the No. 1 spot was in the Northeast, where Bic topped the paper company by being mentioned as a top performer by more than four in 10 managers.

Favorites Shift in H&BC Category

(Continued from page 82)
Johnson is also the parent of McNeil Lab, which fell from No. 3 to No. 4. McNeil Lab isn't a brand in its own right, but rather markets well-known and highly promoted products like Tylenol and Sine-Aid. The introduction of new brands in the head discomfort arena has resulted in McNeil Lab's increasing its promotional activities to retain its market share.

The overall rankings of the H&BC brands were usually reflected in the lists among the Big Three and regionally. Some exceptions: Wal-Mart managers rank Colgate as tied for No. 10 and White Rain No. 4, while Kmart managers listed Procter & Gamble as No. 3 and Clairol as No. 4. Target managers' listing, however, mirrored the overall standing, except that White Rain was ranked higher than Procter & Gamble.

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Mgrs. Rate Sony Top Performer

(Continued from page 65)
and Scotch/3M (about a fifth of managers).

And at Target, Scotch/3M was the big winner, with seven of 10 managers mentioning it as a top performer. Sony, TDK, Maxell and Kodak were bunched behind Scotch, with between four and five out of 10 managers mentioning them. Fuji, which fared poorly at Wal-Mart, was far stronger at Target, finishing sixth.

At conventional discounters other than Kmart and Wal-Mart, TDK narrowly edged Memorex, with about four of 10 managers citing each, with Maxell and Sony running slightly behind the two leaders. Gemini also did well with these discounters (and picked up some mentions at Kmart as well).

Upscale discounters other than Target were undecided between Scotch/3M (which they narrowly preferred) and Sony. But the difference was statistically unimportant, a dead heat. Maxell was just off the pace, followed by Memorex, Kodak, and Fuji. RCA, BASF and Polaroid trailed.

Regionally, no brand really dominated. Only three brands were mentioned by as much as half of store managers, ironically all in the Western region. Those three were Memorex, TDK, and Maxell. Otherwise, all brands performed at or near their overall levels in most regions of the country.

By the way, store brand or private label (unspecified) finished in a tie with Sony for 5th place among Kmart managers. Combined with Focal, a house brand, private label was mentioned by nearly four of 10 Kmart managers. And, private label performed strongly with Target managers as well, with about one in 4 mentioning house brand.

CE Brands Remain Strong

(Continued from page 65)
counters, however, did tend to cite more brands, with 35 brands mentioned in all. By contrast, Wal-Mart managers mentioned only 19.

There was surprisingly little geographic variation in mention rates, with the obvious exceptions of high rates in the South of brands, like Emerson and Sanyo, that Wal-Mart managers preferred and a corresponding drop-off in the Northeast, where Wal-Mart has only a handful of stores. (Sanyo, for instance, was mentioned by one out of five store managers nationwide, but only by one out of 30 in the Northeast.)

Each manager mentioned an average of 3.6 brand names when asked for examples of top performing brands, one of the highest averages in the store, topped only by top brands in the cleaners/chemicals, toys, and automotives departments.

Fisher-Price Plays No. 1

(Continued from page 82)
24% of manager mentions (up from 13% last year) to finish in the top five.

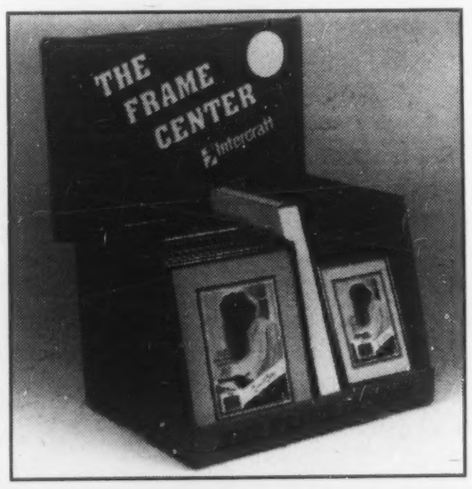
Huffy, which held steady in eighth place in the toy department, also finished in fifth on the sporting goods list, and Murray, ninth among toy brands, was a two category mention, gathering several mentions in sporting goods. After a one-year hiatus, Parker Brothers rejoined the Top 10 in 1992. Nintendo, in 10th last year with 6% of manager mentions, fell off the Top 10, garnering only about 1% of total mentions this year.

Laramie, maker of the popular Super Soaker water guns, just missed the Top 10, with just under 10% of managers mentioning either Laramie or the Super Soaker by name.

Among brands favored by the top three discount store chains, Fisher-Price received the most mentions at Wal-Mart, Kmart and Target, but by only thin margins. The big differences among the discounters were in the fifth through tenth brands.

For example, at Kmart, Fisher-Price, Playskool and Mattel received about the same level of response from store managers, between 55% and 57%. Milton Bradley was fourth, with one-third of managers naming it a top performer and Little Tikes, Hasbro and Lego all tied for fifth with one-fourth of the mentions. Parker Brothers was eighth followed by Kenner and Tyco.

At Wal-Mart, Fisher-Price was more clearly in first place with Mattel close behind. But Murray was in third and Little Tikes and Huffy tied for fourth. Playskool was in sixth followed by Milton Bradley, Hasbro and Roadmaster.



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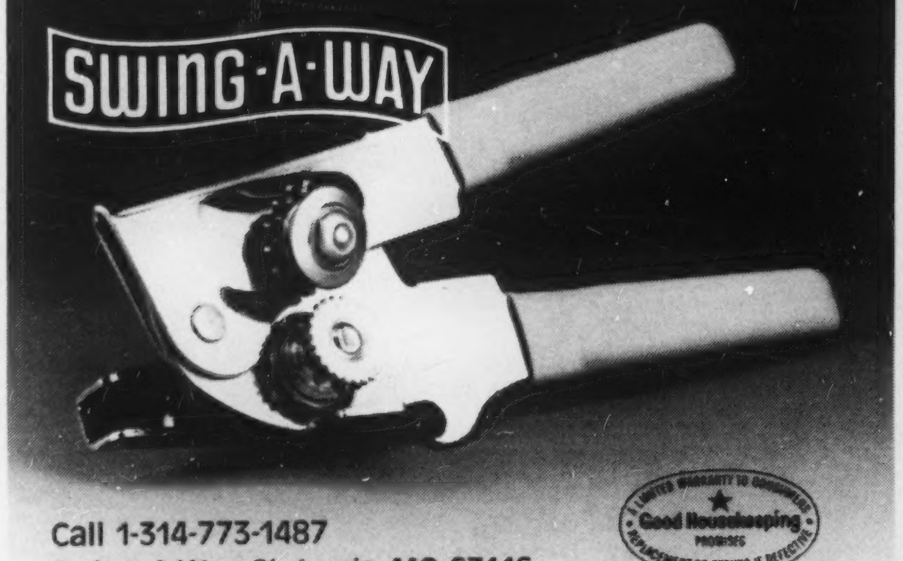

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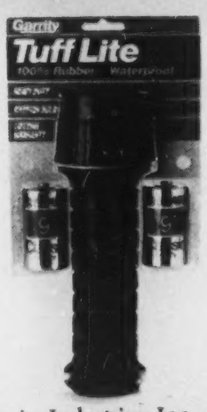

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The Incredible Universe CE Megastore Debuts in Ore.

(Continued from page 1)
area and an overwhelming display of some 60,000 skus, and the result is almost disorienting. But the keys to the concept's success are a bit more prosaic than its flashy store design. The major factor is selection, both in terms of drawing consumers and in gaining support from vendors.

The latter is absolutely critical, Tandy chairman John Roach noted. "A few major suppliers were hesitant about coming here, because we wouldn't push their products over the competition," he said. "But the opportunity to get their entire line in front of the consumer" overcame that reluctance. The Incredible Universe will not only have access to key brands (Sony and Mitsubishi, for instance, are here, but has pulled out of Best Buy, at least partly due to the cement-floor ambiance and non-commissioned sales help), and more important, first crack at emerging technologies.

"This is a great place to introduce new products," Roach said. "We can give a new product the attention it deserves." That attention (available at a price to vendors) can include razzle-dazzle video presentations, full product demos, special events, and manned outposts throughout the store. Philips' CD-I and Tandy's own DCC recorder (the first unit for sale in the U.S., and possibly the world) were two early beneficiaries, along with an image-building display from Panasonic that featured former Olympic gymnasts.

More important, it might become one of the few places to debut a new product. With some estimates projecting $75 million a store in annual sales (Roach: "Pick a number."), and Roach predicting 50 Incredible Universe stores around the country, if all goes well, and the result is a $3.5 billion monster, could eclipse industry leader Circuit City in sales and importance.

Other keys to the concept are the non-commissioned, highly trained sales help (Roach notes that focus groups "love our products, but hate pushy sales people"), specialty stores in music software, computer software, personal electronics, and video games, among others, with their own checkouts for the convenience of customers, and selection.

The $8 million inventory includes 315 televisions, 77 VCRs, 48 computer systems, 181 refrigerators, and 45,000 music and movie titles. Key brands represented run the gamut: Apple, IBM, Panasonic, Sony, RCA, Whirlpool, Zenith, Philips, Kodak, Sega, Nintendo, Yamaha, Bose, Aiwa, Canon, Acoustic Research, Epson, Franklin, Luxman, Pinnacle, JVC, Toshiba, and dozens of others.

Roach said that the Wilsonville location was picked mainly on the basis of demographics (well-educated, relatively high incomes), land prices, and relatively mild recession effects. He expects The Incredible Universe to draw from a solid 30-mile radius, with about 15% of its shoppers expected to travel more than 50 miles. "It's the ultimate destination store," he said.

The food court, which will include a Pizza Hut and a Mrs. Field's Cookies outlet, is intended to keep people shopping longer. "Basically, when people are contemplating a major purchase, they want to see all their choices in one place," Roach said, explaining one of the store's advantages.

The Incredible Universe is priced competitively, but doesn't lead with price. Apart from few opening day specials like a 13" monochrome television for $29, the company's massive newspaper FSI hardly mentioned price. Instead, the message was selection, fun, service, prizes and excitement. "You can depend on nearly everything arriving here first," the copy promises.

However, pricing was fairly sharp, and the company offers, unpublicized, a price guarantee: it will match a competitor's price, plus refund 20% of the final price to a shopper who brings in a published ad.

Apart from the expected home office, audio/video, software, photo and personal electronics categories, The Incredible Universe offers a few surprises. A karaoke studio is available in which consumers can make their own music videos, or mix their home videos into professional looking final dubs. A section called The Bazaar stocks fast-turning impulse items like electronic toys and T-shirts at rockbottom prices, but with no continuity.

The store was designed to take advantage of the latest in technology. Sales help in the appliance, computer and audio/video areas carry computers that can handle transactions, so that customers can continue to shop, then simply pick up their purchases at the loading dock. Every customer receives a scannable The Incredible Universe membership card that will help the company track sales, and market to select groups.

The second store opened in Arlington, Texas, October 1st, and was nearly identical to the Wilsonville unit. "It's a remodel (of a former Tandy warehouse), so there are a few differences," Roach said. "The floor was in such rough shape that we had to put tile in. It's not a test, it's an accident, but we'll use it as a test."

The store is expensive to build and to run, but, Roach said, "it didn't cost as much as people think and won't take as much as people have predicted to break even." The cost of training and paying the non-commissioned "cast members," all of whom went through Disney training and most will pull down significant salaries, "is a good investment. We're happy" to pay the upfront expense, Roach said, because Tandy believes the expense will come back in added sales.

Kmart Sets 73 Stores in Fall Expansion

(Continued from page 1)
tail scene with a store slated for later this month. The long awaited Kmart in Fresh Meadows, N.Y., a two-level unit, acquired from Bloomingdales, will open on Oct. 29.

In total, Kmart's fall opening plans include the following.

- Nine stores that opened in September: Baytown, Texas (Houston); Plano, Texas; Clarksville, Tenn.; Brewton, Ala.; Ionia, Mich.; Riverton, Wyo.; Lincoln, R.I.; Pineville, N.C.; and Gibsonia, Pa.
- 14 on the slate for October (including the Super Kmart Center in Montrose, Pa., and the Hawaiian unit) plus a site in Houston; Bloomingdale, Ill., Plainview, Texas; Chicago; Columbia, Tenn.; Boise, Idaho; Waite Park, Minn.; Fresh Meadows, N.Y.; Bear, Del.; Trussville and Homewood, Ala. (both Birmingham suburbs); and Lumberton, N.C.
- 49 in November, including Auburn Hills Nov. 19 as well as a store in Houston which will be part of a power center; Englewood, Calif., (Los Angeles market); and Tweksbury and South Attlelboro, Mass., (new markets). For the month, the chain's major store openings include eight in California, four in both Florida and Kentucky, three each in Michigan and Texas, and two in Massachusetts. In December, Kmart will open another store in Puerto Rico, its 15th in the commonwealth.

Kmart also is adding to its roster of power centers, retail centers that feature at least three Kmart retail formats. By the end of this year, Kmart will have 15 power centers, 12 of which were added in 1992. Twelve more are scheduled for 1993, said Charles Miller, director of real estate, specialty retail group.

Also on the rise are the number of Kmart combination centers, sites with at least two of Kmart's subsidiaries. The discounter will have 45 combination centers by the end of 1992, 19 of which opened this year. For 1993, Kmart is working on 17 projects, said Miller, noting that the final number of completed projects for the year is likely to rise. In addition, seven combination centers are already planned for 1994.

Kmart conceived of the power center format a few years ago as a way of presenting a variety of its retail formats in one place. The discount giant is committed to advancing the power center concept, where possible, because of the competitive advantages, said Miller.

"We're pushing it where it makes sense. There are advantages to our tenants. Kmart can gain a competitive advantage by being able to bring sister and brother companies together and make deals happen," he said.

So far, the best example of Kmart's power center concept is in place in Sayville, N.Y., the site of the discounter's Oak Park II prototype, unveiled last summer. That center now houses Kmart plus OfficeMax, The Sports Authority, Basset Books, and Builders Square, all Kmart subsidiaries.

For Kmart, the Sayville center has developed momentum for the power center program, said Miller: There is synergy among the Kmart tenants.

The most ambitious of the power center sites is underway in Utica, Mich., where Kmart plans to open six subsidiaries: a Pace, a Sports Authority, a Kmart, a Builders Square, an OfficeMax, and possibly a Basset. Pace will open this year; the rest next spring, he said.

So far, no power centers are planned using all of Kmart's subsidiaries. However, Pay-Less Drugs, which is primarily a Northwestern drug chain, will probably be included in some power centers in its market areas.

Assembling the tenants for the power centers is "a balancing act," Miller said. "We want to be careful that we allow each company to make its own business decision in order to preserve the accountability we expect from each."

Bradlees Acquires Alexander's Sites

(Continued from page 1)
has been a great deal of interest in its five remaining sites.

The two agreements for the stores to be taken over by Bradlees include a sale of leases on three stores for cash and an agreement to acquire the other three stores in exchange for future rental payments.

Alexander's estimated the value of the transaction will be roughly $82 million, of which $28.3 million will be in cash, and the balance will be in the present value of future rental payments. The agreement assumes no higher bids are received and that the deal is approved by the bankruptcy court for the southern district of New York. Alexander's closed all 11 of its stores May 15 and subsequently filed for Chapter 11 protection. At that time, its chairman, Robin Farkas, had commented that in the two years before the closings, "losses reached approximately $40 million and were projected to continue."

The sale of the Bruckner Boulevard and Yonkers stores—which account for $28 million of the cash portion of the deal—is expected to close in early February of 1993.

Bradlees intends to open the two Bronx units and the stores in Flushing and Yonkers in '93, but would open the Rego Park and Valley Stream locations in '94 because greater renovations are needed, according to a company spokeswoman. Alexander's will be making improvements on the three-floor Rego Park store at a cost of $10 million. Alexander's would not give any details on the nature of these improvements.

Barry Berman, Bradlees' president and chief executive officer, explained that the chain's "previously stated new store plan is to open four to six new stores a year starting in 1993 in the highly populated areas of the Northeast." Berman went on to say that the acquisition of these Alexander's locations would bring the chain into New York City, Long Island and Westchester County, which are the only portions of the Greater New York market in which Bradlees does not yet operate stores. All Alexander's stores are multi level, but the Bradlees' experience with a two-floor unit in Connecticut indicates this atypical format will not pose a problem, the spokeswoman added.

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Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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***Caldor president Marc Balmuth** (center), with chairman Don Clarke (left) and senior vp, gmm, home lines Steve Fishman, at discounter's Store of the '90s: 'Opening the store up gives us better merchandise presentation, and better capacity as well.'*

Caldor Launches Store for the '90s

By Pete Hisey

BRISTOL, Pa. — Caldor premiered its store for the '90s here in early October, the first of eight set to debut this fall. The new prototype is, at 113,000 sq. ft., much larger than existing Caldor stores, which average about 90,000 sq. ft.

Elements of the prototype had been tested at remodeled Caldor stores, but the Bristol location marks the first ground-up, built-to-suit, fully integrated example of the company's new look.

"The aim is to create a store that is more pleasant and easier to shop," said president Marc Balmuth at the opening. "Opening the store up gives us better merchandise presentation, and better capacity as well."

Capacity, due to more efficient fixturing

(Continued on page 60)

Sears Divests

Retailer to Raise $3B to Pay Debt, Strengthen Retail; Impact Uncertain

CHICAGO — Sears plans to return to its roots by divesting most of its non-retailing divisions and focus on its merchandising operations, but the long-term impact of the move on its retailing business is uncertain.

Sears expects the divestments to raise more than $3 billion that will be used to reduce its debt, a move that "will also strengthen and increase the flexibility of Sears' retail business as the company focused on continued improvements in its merchandising group."

The Sears announcement didn't address the specific impact of its move—adopted at a special board meeting Sept. 28—on its retailing operations nor did a spokesman state whether Arthur Martinez was aware of the company's planned action prior to his hiring Aug. 10 as the Merchandising Group's chairman and chief executive officer.

Sears received a high grade for going outside the company in hiring Martinez. It was seen

(Continued on page 60)

37 Brands Earn 'Power' Ranking

NEW YORK — Thirty-seven brands this year have been identified as "Power Brands," three more than in last year's inaugural exclusive research conducted by Leo J. Shapiro & Associates for *Discount Store News*.

Power Brands are drawn from 22 merchandise categories studied in *DSN's* Top Brands Retail and Consumer Surveys. They represent brand names that achieved the combination of high recognition by discount store retailers for their performance and high acceptance by discount store consumers as brands they prefer to buy.

Power Brands are among

(Continued on page 60)

PB POWER BRANDS

Power Brands of Discount Retailing

Brand	PBI[2]
Cannon	553
Kodak[1]	484
Coke	361
Stanley	330
Black & Decker	320
Pepsi	319
Rubbermaid	314
Mead	308
Corning/Corelle/Visions	306
Tide	281

[1]Kodak is a power brand in three separate categories: Film, Photo, Camera and Blank Videocassettes

[2]Power Brands Index

Source: DSN/Leo J. Shapiro & Assoc.

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Price Club Wavers on Membership Rules

By R. Michelle Breyer
Special to DSN

ALBUQUERQUE, N.M. — Price Club, the pioneer of the warehouse club industry, recently has been forced to find a new way to compete with other club chains that have eroded its market share.

Price Club, which has long prided itself on the exclusivity of its membership, has waived its membership requirements in certain markets in such states as California and New Mexico where competition is heating up.

Here in Albuquerque, the San Diego-based company sent out a slick brochure at the end of September to a large number of residents, inviting them to become Gold Star members without the usual requirements. The application was good through Oct. 15.

The mailing outlined the products and services offered by Price Club and included testimonials from members.

"It is a membership drive," said Karen Konecky, vice president of marketing for Price Co. "We've waived the

(Continued on page 59)

Kmart Opens Quick Lube Bays in 53 Stores

TROY, Mich. — After closing hundreds of auto service centers over the past several years, Kmart is re-emphasizing auto service by jumping into the quick lube fray.

On Oct. 1, it opened 53 Quick Lube Express bays in Detroit and Grand Rapids, Mich., and Upper Ohio stores that operate auto service centers. By next spring, Kmart is shooting for a total of 750 Quick Lube Express bays, promising 15-minute service for lube, oil change, filter and 18-point check of such items as brake and antifreeze fluids.

For the Quick Lube Express, Kmart has dedicated one of six service bays in each store exclusively to quick lube service. Stores such as Southfield, Mich., just completed a two-week training session for those who will work in quick lube.

To kick off the operation, Kmart is offering an introductory price of $13.97 for the service, including Texaco's Havoline 3 motor oil, in bulk, and a Purolator filter. That is $5 less than what will be the everyday price, $18.97. Texaco is the exclusive supplier of bulk oil and grease for all Kmart centers, and a banner over each bay promotes the Texaco brand name.

If customers wish to choose another brand of canned oil, the price is $3 more, or $16.97, on an introductory basis and $21.97 every day.

By comparison, Jiffy Lube in the New Jersey market recently cut its price to $25.99 from $29.99. The Wal-Mart HyperMart USA in Arlington, Texas, charges $17.88 for Pennzoil bulk oil and a Fram filter and $19.88 if customers chose a brand of canned oil.

The average price around the nation for a quick lube using bulk oil is $21 to $22, said Larry Northup, executive director of the Convenient Automotive Services Institute, Baltimore. The institute represents 2,600 of the nation's 4,500 quick lube shops operating in chains such as Jiffy Lube, Minit Lube, owned by Quaker State, and Valvoline's Instant Oil Change.

Including service stations car dealerships and other repair shops that have added quick lube to their offerings, the nation now has 9,000 to 10,000 quick lube outlets, Northup estimated.

The quick lube field has become saturated in some markets, Northup said, and Kmart's entry means more competition for shops that offer only quick lube.

Kmart's move into quick lube indicates a recommitment to auto service, said Ed Kaufman, a marketing consultant to the automotive aftermarket. Second only to gasoline sales, "quick lube is a way to build traffic and identity," Kaufman said.

"It's a way a chain can differentiate itself by the way it advertises quick lube and the services it offers," Kaufman said. "Everybody is going after it."

As Kmart remodels existing stores and opens new units, it continues to whittle down the number of stores that offer auto service. As of Oct. 1, the number of centers stood at 975, or 40.6%, of 2,401 units. That contrasts with a 1980s high of about 1,600 service centers when the chain operated less than 2,000 stores.

Kmart is having second thoughts, though, about closing some of those service centers and is considering re-installing them in some locations, a spokeswoman said.

And here and there a select number of new stores will feature auto service, including the new flagship Auburn Hills, Mich., store, which opens Nov. 19.

Under chairman Joe Antonini, who came from the apparel side of the business, Kmart began de-emphasizing auto service by forcing each center to justify its existence by showing that its return on investment could compete with other merchandise categories. Kmart closed the centers that couldn't and switched their space to other uses.

In addition to the investment of at least $250,000 per center for the usual car service equipment, including hoists, wheel balancers and grease guns, environmental requirements are increasing the outlays for equipment to recycle Freon air conditioner gas and antifreeze.

Hiring, training and retaining qualified mechanics adds to the complexity of auto service operations.

Sportmart Raises $45M in Offering

Becomes 3rd Sports Chain to Go Public in '92

By Richard Halverson

NILES, Ill. — Head-to-head competition among sporting goods category killer stores promises to become more common now that the third chain this year, Sportmart, has gone public.

Earlier this month, Sportmart sold 3 million shares, or approximately a 30% stake, at $15 a share, raising $45 million, less brokers commissions. It retains a 70% controlling interest.

With 25 stores, Sportmart followed on the heels of the 20-store chain, Sports & Recreation, Tampa, Fla., which went public in August, and Atlanta-based SportsTown, 14 stores, which went public this spring.

The family of co-founder, president and ceo Larry Hochberg, will take the lion's share of the net proceeds, $20.8 million, as unpaid profits accrued since Hochberg and Sanford Cantor co-founded Sportmart in 1970. Hochberg and his family owned 89% of the stock outstanding prior to the IPO. Sportmart will use $13.5 million more to pay off its bank line of credit, freeing working capital for expansion, according to the IPO registration statement filed with the Securities and Exchange Commission.

Sportmart plans to open five new stores this year, compared to one last year, including three in a new market, the San Francisco Bay Area, and one each in its primary markets, Chicago and Los Angeles.

Sportmart now operates 13 units in Chicago, 11 in Los Angeles and one in San Diego.

In 1993, it plans to open eight to 10 more, including units in another Northern California market, Sacramento, and the new market of Minneapolis.

Sportmart stores range from 40,000 sq. ft to 42,500 sq. ft and stock 125,000 skus. Selling floor accounts for 85% of the footage and warehouse 15%.

In 1991, hard goods accounted for 51.2% of sales, sporting apparel, 27% and athletic shoes, 21.4%.

Unlike other category killer sporting goods chains such as SportsTown and Sports Authority, Sportmart prefers the finished retail look over a warehouse style ambience.

At a cost of $2.3 million, Sportmart has remodeled nine of its stores to prototype since 1989 and has budgeted $800,000 to remodel three more in '92.

In addition to its 25 megastores, Sportmart is testing two No Contest apparel and footwear specialty stores of 11,000 sq. ft. and 15,000 sq. ft. in the St. Louis market.

Defying last year's recession, Sportmart's sales rose 28.8% last year to $216 million from $187.2 million in 1990. Comp store sales gained 13.1%. Operating profits soared 70.9% to $10.8 million in 1991 from $6.3 million the prior year.

For the first half of 1992, sales ran 18.8% ahead of 1991, 8.6% for comp sales.

Gross profit margins improved to 26.5% in 1991 from 26.1% in 1990. For the first six months of 1992, gross margins crept up to 26.6%.

Operating expenses have shown a steady decline from 18.9% in 1989; 18.8% in '90; 17.5% in '91 and 16.7% for the first half of '92.

Operating profit margins rose last year to 5% from 3.4% in 1990 and improved to 6.1% for this year's first six months.

Sportmart buys most of its goods direct, including Nike, even though it follows an everyday low price policy.

To support its planned expansion into Minneapolis, Sportmart opened a new 91,000-sq-ft. distribution center this year in the Chicago area. To support its thrust into Northern California, it

(Continued on page 57)

***Sportmart's move to go public** highlights the growing competition among sporting goods superstore chains.* (DSN photo)

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Exhibitors at Exclusively H&BA Target Teens With New Products

By Jill Lettich

DENVER — Health & beauty care marketers at the recent Exclusively H&BA trade show were on a quest for the fountain of youth. Children's toiletries and teen market-specific skin care products and cosmetics were a large part of the new product introductions at the third annual trade event held here.

The show drew from all retail tiers and overall attendance was up 18%, according to show sponsors. Discount store attendance accounted for 17% of the total draw, including 52 different discount store companies and 119 buyers, according to Jay Spaulding, chief executive of Exclusively H&BA.

The remainder of the 700 buyers in attendance came from chain and wholesale drug chains, supermarkets and convenience stores. In addition, Spaulding reported an increase in attendance from membership warehouse clubs and hypermarket concepts, though these figures were not reported separately.

While the range of products displayed was extensive, an emphasis on youth was evident. For instance, Proctor & Gamble is marketing its new Cover Girl Clean Skin Care line to a target market of girls between the ages of 12 and 19. Skin care is a new addition to Cover Girl cosmetics.

Likewise, Johnson & Johnson's repackaged Clean & Clear line of products is aimed at a similar young age group (12 to 17) and is using MTV and other youth oriented shows as an advertising vehicle.

The emphasis on skin care overall has turned the beauty care business into an industry dependent upon formulas and performance criteria. Joe Lamia, vp, sales, Revlon, noted that the company has always been known as a "color company," but that it is moving into the "high-tech" arena with a performance mascara introduction on the horizon. Last year, the company introduced hair care products and skin care is on the drawing board. With Cindy Crawford as a spokesperson, Revlon attracts customers from young teens to older adult females.

In the hair care category, White Rain, has been redirected to appeal to a younger audience. New packaging and new product fragrances (White Rain Essentials Strawberry is a leader) are designed to appeal to the 12- to 19-year-old age bracket.

In addition to the larger cosmetic and beauty companies making inroads with teens, others are marketing specific products to that market. Wellington Laboratories, is marketing T'rific, a line of skin care for teenage girls.

In addition, Caboodles, Sassaby and Pretty Neat (a division of Goody Products) cite teens as the largest consumer group for their various cosmetic organizers.

(Continued on page 59)

NHMA Shift Starts With Technology Info Program

By Arthur Markowitz

CHICAGO — The National Housewares Manufacturers Association has begun an information and education program on technology for members as part of its transformation into a service organization.

Thomas P. Conley, NHMA's executive director and chief operating officer, said the association's goal is to become the voice for manufacturers on technology issues and encourage members' use of available technology.

NHMA's endeavors include:

- Holding technology workshops, with the initial one, "EDI, Key To Your Company Survival" held in Chicago last month. Technology will be the subject of at least two meetings in 1993.
- Conducting surveys on manufacturer usage of technology to see how the association can assist members and possibly develop group purchases of services.
- Helping to organize an alliance of seven manufacturer trade associations that will be an "umbrella" group to discuss technology issues and cooperate and coordinate efforts on developing standards that can be used by different suppliers.

A meeting was due to be held in Washington at presstime to form the super coalition composed of the NHMA, the American Apparel Manufacturers Association, American Hardware Manufacturers Association, Automotive Parts and Accessories Association, Electronics Industry Association, Sporting Goods Manufacturers Association and Toy Manufacturers of America.

The NHMA's board has approved joining such a group

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Discount Retailers: September 1992 Sales Results

Chain	Total Sales (In $Millions)	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart[1]	$4,162	28%	12%
Kmart[1]	3,326	13	4
Target	NA	16	6
Sears	3,130	2	5
Costco	528	24	8
TJX Cos.	319	20	NA
Caldor	173	11	8
Bradlees	163	8	9
Best Buy	156	105	34
ShopKo	150	8	6
Venture	143	11	1
Good Guys	120	16	0
Family Dollar	91	26	16
Ross Stores	90	27	13
Dollar General	80	18	11
Jamesway	79	5	6
Value City	79	9	2
Consolidated Stores	66	28	11
Filene's Basement	63	25	4
Mac Frugal's	44	(6)	(6)

[1]Total Corporate Sales ( )—Decline NA—Not available Source: Company reports

MARKETWATCH

Jamesway's Fisher Takes Temporary Leave

SECAUCUS, N.J. — Jamesway founder and chairman Herbert Fisher has taken a leave of absence for cancer treatments, leaving president Peter Hollis at the helm of the 121-unit regional chain. Fisher, 70, will continue to serve as a company director. Hollis, former president of Ames, was named president last year after the job had been left vacant for a year following the departure of previous president Arlie Lazarus. Fisher's first venture into retailing was in 1950 when he formed a chain of ladies' specialty shops operating in New England under the trade name of Franklyn Stores. His first discount store, Royal Factory Store, opened in Pittsfield, Mass., in 1957, but both the discount store and the specialty stores were sold in 1960. In 1961 he opened the first Jamesway store with the help of a group of upstate New York businessmen.

Stuarts Emerges From Bankruptcy

FRANKLIN, Mass. — Stuarts Department Stores' plan of reorganization was approved by the Bankruptcy Court in Western Massachusetts Oct. 13. The plan calls for payment to unsecured creditors in three cash payments totaling about 36% of the allowable unsecured claims and provides for the issuance of 80% of the common stock of the reorganized company to unsecured creditors. Joseph Ettore, who had been serving as president and coo, will be chairman and ceo of the reorganized firm and Antone Moreira will be senior vp and cfo. Denis Lemire will continue as senior vp, merchandising, and David Ferguson as senior vp, store operations. Stuarts' new seven-person board of directors includes Ettore, Josh Goldberg, Joseph Stewart, Arnold Wachsberger, former chairman Marc Ostrow, Joseph Latigana and Joseph Hoffman.

F&M Pays Off Debt With Public Offering

WARREN, Mich. — F&M Distributors, a 113-store deep discount household products and health & beauty care chain, has raised $33.5 million through an initial public offering and used the proceeds to pay down debt. The company sold 3.5 million shares for $15 per share, more than an originally projected $12 to $14 per share.

Los Angeles Group Buys Big 5, Bi-Mart

LOS ANGELES — Bi-Mart, Eugene, Ore., and Big 5 Sporting Goods, Los Angeles, have a new owner now that Pacific Enterprises has closed the sale of its remaining retail operations to Leonard Green & Partners, a Los Angeles investor group. Included in the $275 million deal were five chains totaling 910 stores: Bi-Mart, 42 stores; Thrifty Drug, 602; Big 5, 140; MC Sporting Goods, 77; and Gart Bros., 49.

Value City Completes Gee Bee Deal

COLUMBUS, Ohio — Value City has completed the previously announced acquisition of its sister chain, Gee Bee, from their parent, Schottenstein Stores, and floated $50 million in notes to pay for the deal. The money will be used to pay $23 million for the chain of 17 stores, retire the Gee Bee debt assumed and convert all but two to Value City stores. Value City will convert five this month and four more next February. Two will remain Gee Bees, because they compete effectively with Value City in Altoona and Johnstown, Pa.

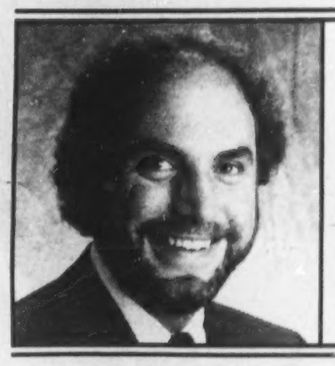
FOR THE RECORD

J.B. Hunt, the Lowell, Ark., company that is the nation's largest truckload shipper and a major hauler for Wal-Mart, has formed a joint venture with Transportacion Maritima Mexicana to distribute to Mexican customers goods that TMM has brought into that country from overseas. Arkansas Best, the nation's fifth largest less-than-truckload hauler, based in Fort Smith, Ark., has formed an intermodal alliance with Votainer International B.V. of Rotterdam, Holland, through which goods can be shipped from the United States to foreign countries for a one-price bill that covers ground and oceanic transportation and overseas off-loading. *DSN* incorrectly reported in its July 15 issue story on Wal-Mart's international expansion that Hunt purchased Votainer and Arkansas Best purchased TMM, and that Arkansas Best does 20% of its business with Wal-Mart. The trucker said that no customer accounts for than 5% of its business.

EDITORIAL

2,000-Plus Reasons to Be Optimistic

There's a plethora of new store openings this fall, capping a year that surprisingly can be called one of significant growth for the nation's discount retailers. Not only does this expansion reflect the vitality of the discount industry, but it reinforces the impact of discount retailing on the economy. Let's take a closer look at the facts and figures.



TONY LISANTI
Editor

A majority of the top 25 chains (as ranked by *DSN* in its annual State of the Industry report published in July) will open new stores this fall. By January 1993, *DSN* projects that the top 25 chains will have added a combined net total of 568 stores. Only two of these chains will have closed a total of nine stores and three chains will have remained the same size. Kmart alone will open 73 stores this fall.

This scenario doesn't even take into account the hundreds of stores that have been remodeled or the hundreds of stores that will be opened by the smaller upstart chains with sales under $30 million that do not make *DSN*'s Top 175 ranking.

Furthermore, *DSN* estimates that the Top 175 chains will have opened 2,005 stores from January 1992 through January 1993.

I would like to dispel the conventional wisdom that so many industry executives subscribe to that Wal-Mart accounts for 90% of the growth among the discount retailers. During that period, *DSN* estimates that Wal-Mart will have added 160 stores, or surprisingly, only 8% of the total. Believe it or not, there are several other chains that are quietly expanding and doing some innovative things.

The opening of 2,005 stores could conservatively generate as much as $1.4 billion in annual sales and over 100,000 retail jobs. In addition, the opening of 2,005 stores represents tremendous opportunity for sales and jobs for developers and contractors associated with the opening of a new store. These new store openings also offer hundreds of manufacturers the potential for sales growth.

Meanwhile, it's obvious that growth among the nation's department stores will be minimal.

There's no doubt that the 1990s is the decade of discounting.

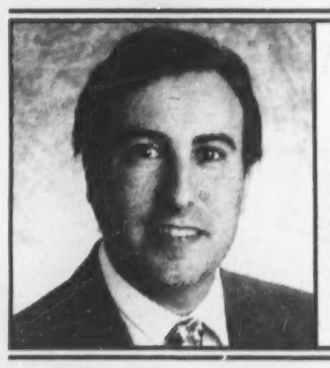
BUYERS & SELLERS

Questionable Observations About Discounting

Questions. Questions. Questions. And a few answers.

Do you get the feeling there's far more to this Phar-Mor story than what's been reported so far?

And speaking of deep discounting, doesn't F&M's recent IPO quash the theory that deep discounting is dead? This superstore chain, which has managed to stay truer to its founding discount precepts than its highly publicized rival, sold $52.5 million of stock at $15 a share this month. That's higher than the $12 to $14 per share price projected in its SEC filing.



DON LONGO
Exec Editor

Are membership warehouse clubs worried about the growth of office supply megastores? You bet. Especially in the commodity paper business where office supply chains like Office Depot and Staples can compete effectively with clubs on price as well as out-assort the clubs due to their expanded skus. Office supply chains are becoming one-stop-shopping outlets for many small businesses, particularly white-collar professional offices.

On the other hand, clubs are gaining even greater market-share in the consumer area as they offer more products and services aimed at their non-business clientele. Think supermarkets and conventional general merchandise retailers aren't worried? Think again. Two-thirds of all warehouse club shoppers said they are spending less at supermarkets now, according to a recent study (see story, page 9). Nearly one in five club shoppers said they are spending less at discount stores.

Another club question: How is Meijer's new warehouse club entry, SourceClub, going to make a profit with its open membership/lower yearly dues policy? Seems to me that with such low margins, much of a membership warehouse club's profit comes from the membership dues it collects.

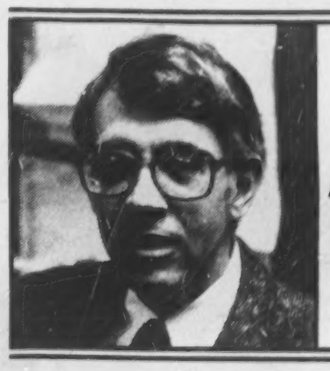
Will consumer spending pick up after the presidential election? Not unless consumers start feeling a little more assurance that their jobs are safe. Lack of job security due to continued downsizing by U.S. companies is keeping a choke chain on consumers' purse strings.

TAKING STOCK

Will Sears' Divestment Be a Pyrrhic Victory?

Sears' plan to divest some of its non-retailing businesses *may* be a major victory for its stockholders, but it could come at Pyrrhic costs to American consumers and perhaps even the nation.

The tentative nature of this observation denotes the financial ambiguity surrounding Sears' move. Two key questions are how much will Sears net from the divestment of the Coldwell Banker real estate subsidiary and the sales of minority stakes in Allstate and the Dean Whitter financial services operation? And will the move provide enough funds—from the sales and from a resulting reduction in company debt—to make any difference to the retailing division, which will again become Sears' core business?



ARTHUR MARKOWITZ
Senior Editor

Skepticism is the best way to describe the early reading on Sears' proposed move—and with good reason. So far, there is no indication that the divestment will produce either the rewards that Sears' shareholders expected (the stock price hasn't soared or even moved up materially) or that there would be any meaningful financial benefits accruing to the retail operation (proceeds of the sale aren't seen as boosting Sears' capital investment or helping to make the chain more competitive).

The optimistic outlook—and I personally think it's imperative that Sears succeed in revitalizing itself and remaining a major force in retailing—is that the divestment will buy more time for Sears to restructure its merchandising business. The move will result in a more focused company and retailing will become Job One and Two and Three . . .

But it's just as likely that the divestment will markedly diminish Sears' overall financial strength, terminate the (underdeveloped) synergism of cross marketing three services—retail, insurance and financial investments—and impair its rebirth. If that happens—even for a short time—it would reduce competition in the marketplace to the detriment of consumers and manufacturers and, in the end, to the nation.

Will the stockholders then really have gained anything?

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117-35 Striley Drive, Ashton, Md. 20861
301-774-3895
Manager, Correspondent **Kenneth Rankin**
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Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

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food merchandising®

FOR NON-FOOD RETAILERS

A special supplement to *Discount Store News* and *Drug Store News*

Fall 1992

Small Snacks = Big Bucks

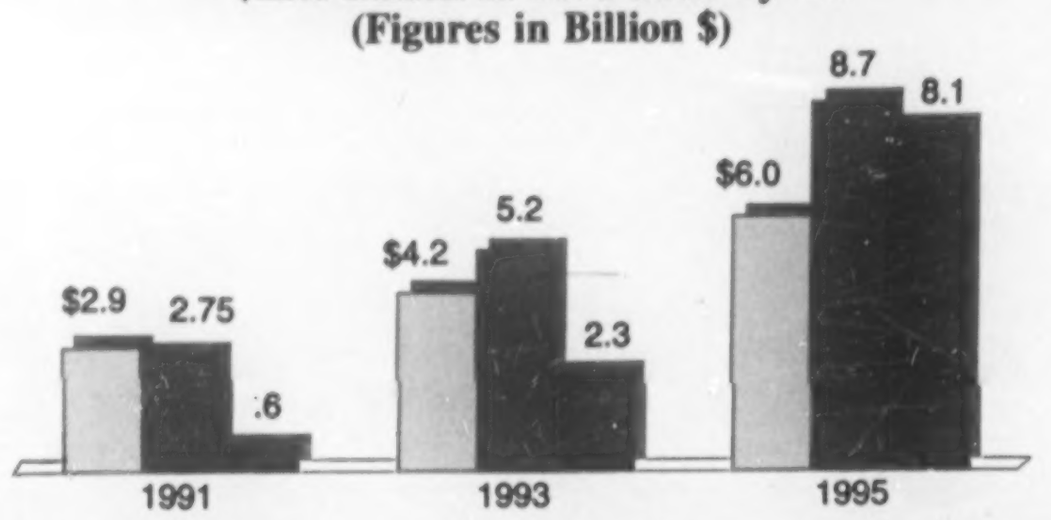
Page 15

Will Wal-Mart Conquer Food Retailing?

Discount Giant Places Food Merchandising At Top of Its Growth Agenda

Page 6

$22.8 Billion in Food Sales by '95
(Figures in Billion $)



Source: FM research estimates/projections

Drug Chains Get Assist in Selling Beer Page 13

Kmart Unveils Classics Line

Kmart's Nature's Classics private label food program is just six months old and already the list of items, as well as the size of the department, is starting to grow.

Coffee, juices and soft drinks will soon be added to the list of nuts, potato and corn chips, salsa, crackers and cookies—including a chocolate chip with 40% real chocolate chips—vs. Sam's Choice's 39% chips.

The premium quality food, priced at low Kmart prices—such as $1.47 for a 16-oz. bag of potato chips and $1.84 for a 12-oz. bag of cookies—is being settled into a 200-sq.-ft. department, twice its previous size.

Nature's Classics was created to appeal to time-pressed families that eat on the run and buy on impulse.

Rogers Steps Down as Brach CEO

Lingering health problems forced Peter N. Rogers to step down as chief executive officer of Brach Van Houten Holding Inc. in late August, after two years in that position, during which he led the installation of a new management team.

The Brach U.S. business will continue to be led by its president, Richard D. Condie, while Donna R. Ecton will continue as the president of the Andes business. Both will report to Charles Gebhard, chief executive officer of the worldwide Van Houten group.

Brach competes in three major businesses, its peg line, its Pick-A-Mix bulk program and a growing seasonal business.

"Four years ago, Brach went through some difficult times," said Condie in an interview with *FM* earlier this year. "We're back now and outperforming the marketplace. We're very pleased with how our business is growing and see an opportunity to expand into new products."

New Marketing/Sales Head at Ferrara Pan

Steve McMichael has been named director of sales and marketing for Ferrara Pan Candy Company of Forest Park, Ill.

McMichael will develop marketing and packaging programs while working with brokers and expanding the company's national account sales. He brings 20 years of experience, most recently as vice president of sales for Powell's Candy, Minneapolis.

Soft Drink Makers Wage War on Plastic

The soft drink industry is working hard to reduce and recycle the plastic packaging for its products. Coca-Cola and Pepsi have received permission from the Environmental Protection Agency to recycle some PET bottles.

"We've found that something that makes good environmental sense usually makes good business sense," said Gary Gerdemann, spokesman for Pepsi, which now uses 25% post-consumer waste in 2-liter bottles it distributes in some markets.

The 25% PCW is on all Pepsi soda in clear bottles, not the green ones used for Mountain Dew and Slice. "But that will come," said Gerdemann, noting that supply is the issue.

"The plan is to put it nationally when we can, and to make [the recyled content] as high as possible."

Clubs a Success at Feeding Fido

Although non-food retailers capture impulse purchases of pet items, they have a long way to go to become more of a primary supplier. Only 19% of consumers surveyed by Leo J. Shapiro & Associates for *FM* said they shopped for pet food through discount store, warehouse club or drug store outlets. The market research consulting firm contacted 454 U.S. heads-of-household by telephone during April.

The warehouse club is the most successful retailer of pet foods of those outlets, with 8% of non-supermarket pet food shoppers saying they buy pet food at clubs. Discount department stores ranked second with 7% of shoppers saying they bought pet food there, and drug stores trail with a mere 4% of pet food purchases.

Pet Food Purchasing Summary

% of Consumers Who Purchased Pet Food In Past Year at . . .

Warehouse club	7.7%
Discount dept. store	7.1%
Drug store	3.6%

Mean Amount Spent in Past Year by Households Purchasing Pet Food at Warehouse Clubs, Discount Stores and Drug Stores

By Region

Northeast	$192	Midwest	$381
South	$103	West	$247

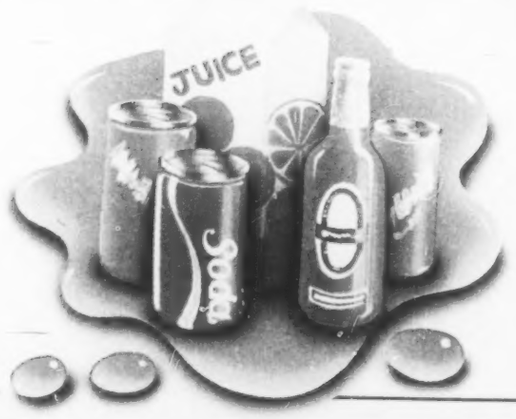
Nationally $215

Source: Leo J. Shapiro & Associates/FM

However, when consumers do buy their pet food through these outlets, they spend heavily, with a median of $70 spent in the past year. This is especially the case in warehouse clubs, where consumers opt for convenient large-sized selections.

Beer Creates a Brouhaha

Drug Stores Face Special Challenges Selling Brew



While they build sales, new beer launches pressure retailers to decide if they have room to stress smaller, growing brands.

Operators of drug stores are doing a better job of merchandising beer, largely because they're getting more help from beer companies.

With the number of beer brands and types rising, suppliers are helping retailers in innovative ways, from planogramming the department to improved POP materials.

The result: operators are taking sales from supermarkets, increasing customer traffic, and upgrading the merchandising sophistication level.

On the downside, however, are the greater need for store real estate, complex state legislation, high equipment costs and the need to identify what customers want.

"We have a space management program that can provide retailers with an innovative program on how to effectively balance their shelf and cooler space—through a specially computerized design format—to provide the highest return and profitability for their store," said Mark Danner, vp, national account sales, Anheuser-Busch. By merchandising beer, retailers can enhance sales and take advantage of the impulse purchases generated from well-merchandised displays, said Danner.

"The best thing operators can do in merchandising beer or any product is to make sure they're taking full advantage of all the POS material and promotional activities we've developed for our products," said Ron Richards, category manager, Miller Brewing Co. "That's really the key."

Other companies have also worked on merchandising plans. Richard Riggs, Coors' manager of retail development, explained, "Operators need to look at the merchandising that comes from us as an objective source of merchandising. Very often, we have POP programs that are every bit the measure of what the big guys put out."

While research shows that more Americans are interested in beer, it also shows that most of the interest is in foreign beers and new categories such as lite, nonalcoholic and dry. A bevy of new launches such as Zima Clearmalt, Coors Cutter and Colders Light, while bringing new business, has put extra pressure on retailers to decide if an emphasis on the smaller, but growing, brands is needed.

Non-food retailers find beer a challenging category for other reasons. It is illegal to sell in drug and discount stores in many states, and it sells best if refrigerated. Consequently, their approaches vary.

At 23-unit Bill's Drugs in Benicia, Calif., beer merchandising is "totally at random," and left to the discretion of store managers, said Gene Bass, vp of merchandising. Some stores do well; others don't. Bill's typically carries eight to 10 beer brands, positioned in the rear of the store to draw traffic.

Beer sells best from refrigerated cases, like here at K&B, Baton Rouge, La.

Beer is a major contributor to sales at Walgreens, said spokesman Michael Polzin. The chain has emphasized the category in its new prototypes with more cooler space.

Arbor Drug, of Troy, Mich., sees close parking and lots of cash registers as powerful tools for beer sales. Said spokesman Fred Marx, "Our customers are looking to get in and out fast, so convenience is very critical for selling something like beer."

Perry Drugs of Pontiac, Mich., devotes four of its 10 cooler doors to beer, but that may soon increase. Buyer Jim Menzies reported that newer dry and nonalcoholic beers are starting to take off. "I think they are the wave of future," he said. **FM**

Brew Facts

Warren H. Dunn, president and ceo of Miller Brewing Company, was recently named chairman of the Beer Institute, which provides these facts:

No. of brewers: 451

No. of beer wholesalers: 3,600

No. of retailers selling beer: 560,000

Yearly federal excise taxes paid on beer: $3.4 billion **FM**

TOP BRANDS Part II: Consumer Survey

Brand Preference Rebounds in '92

The most significant news to come out of this year's Top Brands Consumer Survey, conducted by Chicago-based Leo J. Shapiro & Associates for *DSN*, is that consumers, against expectations in this recessionary environment, were more likely to have a brand preference in most of the 19 categories considered than they were last year.

And, they expressed a declining interest in private label goods in 12 of those categories. (Three other categories, film, blank videocassettes, and beverages, were added this year, so there is no comparable data available. However, all three of the new categories scored very high in brand preference, with almost all consumers stating a branded preference in each category.)

This reported indifference to private label goes against retail trends. Warehouse clubs, dollar stores, deep discounters and traditional discounters have all bulked up their private label assortments (some of the fastest growing brand names have to be Sam's American Choice and Equate, two Wal-Mart house brands, Kmart's Nature's Classics, and various soft lines brands like Target's Merona) and have been promoting them vigorously.

Still, Americans are more enamored of brands than ever before, with at least six of 10 consumers having a brand preference in 14 of the 19 historical categories. The three new categories were even more brand dominant, with well over nine of 10 consumers reporting a brand preference in film, blank videocassettes, and beverages.

Only in stationery, domestics, children's apparel, women's apparel and glassware and dishes did the percentage of shoppers naming a preferred brand sink below 50%.

Overall, shoppers were relatively confident of finding the brands they prefer on discount store shelves, but not as confident as in years past. Of the 19 comparable categories, confidence in finding brands rose in only six categories, while it declined in 13. On a scale of 1 to 9, with 9 meaning "sure of finding," 13 of 19 scored 7.0 or better, with most of the rest just under 7.0. At the high end were cosmetics, personal care appliances, household cleaners and H&BC, all with scores of 7.65 or better. At the other end of the spectrum were hardware (the lowest, at 6.28), consumer electronics, and children's apparel.

Preference for private label declined in almost every department compared to last year, and the few gains were marginal. The contrast between earlier years was even more dramatic. For instance, preference in women's apparel held steady at 15% compared to last year; the figure was 35% in 1990. Private label preference in children's apparel dipped to 13% from 20% a year ago; the 1990 percentage was 32%.

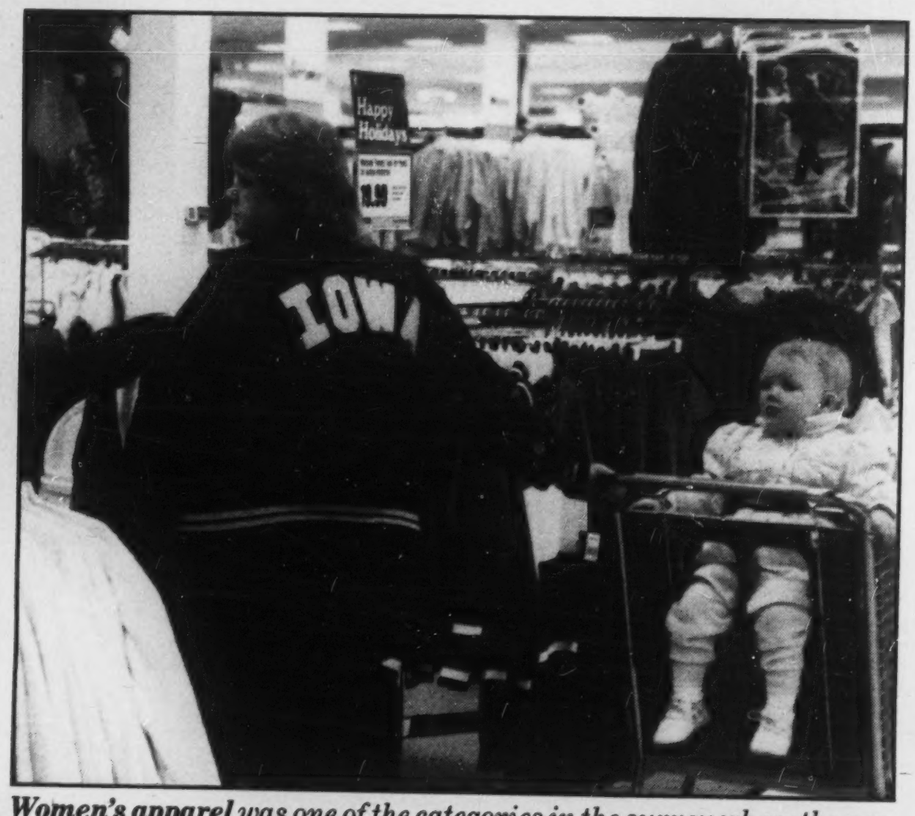
(Continued on page 27)

Departments Where Consumers Have a High Degree of Brand Preference

(% of discount store shoppers with a brand preference)

Photo, Camera	99%
Film	99%
Blank Videocassettes	96%
Beverages	96%
Household Cleaners	91%
H&BC	87%
Cosmetics	85%
Food, Candy, Snacks	84%
CE	80%
Automotive	80%

Source: DSN/Leo J. Shapiro & Assoc.



***Women's apparel** was one of the categories in the survey where the percentage of shoppers naming a preferred brand sank below 50%.*

How We Did It

Welcome to the 1992 Top Brands Survey, conducted by Chicago-based Leo J. Shapiro & Associates for *Discount Store News*. The first part of the survey, which quizzed discount store managers, was published in the Oct. 5, 1992 issue of *DSN*. This section, the consumer survey, was conducted in August of 1992 via telephone interviews with 909 consumers who have shopped at a discount store in the past year.

Consumers were asked where they shopped, what they shopped for, and were then asked to identify their preferred brand in the departments in which they shopped.

They were further asked how confident they were of finding that preferred brand at their local discounter, if they would switch to another brand if their preferred brand was unavailable, and whether they preferred private label goods in that department.

Of those queried, roughly 70% said that they had shopped a Kmart in the past year; a bit under one-half had shopped at Wal-Mart; and nearly four of 10 had shopped at Target. One-third had visited a regional discounter. Of course, many consumers shopped at more than one of the above stores, therefore the total exceeds 100%.

Top Consumer Brands

Automotives 45
Pennzoil
Fram
Valvoline

Beverages 52
Coke
Pepsi
7-Up

Blank Videocassettes 33
Sony
Kodak
Memorex

Children's Apparel 30
OshKosh
Levi's
Health-Tex

Consumer Electronics 33
Sony
Nintendo
Kodak

Cosmetics 29
Revlon
Maybelline
Cover Girl

Domestics 37
Cannon
Fieldcrest
WestPoint/Pepperell

Film 40
Kodak
Fuji
Polaroid

Food, Candy, Snacks 50
Hershey's
M&M/Mars
Brach's

Glassware, Dishes 34
Libbey
Corelle
Anchor Hocking

Greeting Cards 47
Hallmark
American Greetings
ShoeBox

Hardware 45
Stanley
Black & Decker
General Electric

Health & Beauty Care 49
Colgate
Crest
Gillette

Household Cleaners 38
Tide
Dawn
Clorox

Housewares 34
Rubbermaid
General Electric
Black & Decker

Men's Apparel 30
Levi's
Hanes
Fruit of the Loom

Personal Care 37
Conair
Vidal Sassoon
Norelco

Photo, Camera 40
Kodak
Canon
Minolta

Sporting Goods 43
Spalding
Wilson
Coleman

Stationery 47
Mead
Hallmark
Bic

Toys 49
Mattel
Fisher-Price
Nintendo

Women's Apparel 29
Hanes
Gitano
L'eggs

Discount store shoppers nationwide named their preferred brands in 22 merchandise categories, in a poll conducted for *Discount Store News* by Leo J. Shapiro & Assoc.

TOP BRANDS: PART II

Consumer Brand Preference Rebounds

(Continued from page 25)

The only gainers of more than one percentage point were H&BC, cosmetics, CE and toys, but none topped 10%. By contrast, 14 categories either held steady or declined in percentage of shoppers preferring private label. As mentioned, this goes against reported buying behavior; consumers may be much more cash-poor than in the past and embarrassed to admit it. Also, many consumers may identify strong store brands as branded products, or may have come to consider a store brand that doesn't specifically mention the retailer as an authentic brand name.

Brand preference may be high, but brand loyalty eroded this year, after a rally in 1991. Shoppers were more likely this year to switch to another brand if their preferred brand was not available in 12 of 19 departments. Only in photo and children's apparel were they significantly more likely than a year ago to forgo a purchase if their preferred brand is not available.

In most categories, it seems that brand loyalty, after a surge in 1991, has simply returned to historic levels. Brand loyalty was highest in cosmetics, CE, hardware, and beverages; lowest in stationery, greeting cards, blank videocassettes, and domestics.

That follows retail experience. In blank video, for instance, there are about eight very strong brands, all with roughly equivalent market share. Retailers tend to jump on two or three at a time, then switch to others on a promotional basis. Consumers tend to view these brands as interchangeable.

Domestics is driven by color and design, and brand name figures very low in the purchase decision, past research has shown. Private label programs have been very successful in this department.

Stationery, as Ames has discovered in its Party Plaza specialty concept, which sells almost all private label goods, has almost no brand presence. Shoppers buy by need, not brand.

And greeting cards sell almost solely on the basis of message and art.

Most of the top gainers reflect either massive advertising (beverages) or overwhelming concern with quality (consumer electronics, cosmetics).

***Brand popularity** continues to grow with six of 10 consumers having a brand preference in 14 of the 19 historical categories.*

Departments Where Consumers Express Low Preference for Private Label

(% of shoppers expressing a preference for private label)

Film	1%
Greeting Cards	1%
Personal Care Appliances	2%
Glassware and Dishes	3%
Toys	3%
CE	3%
Household Cleaners	3%
Stationery	3%
Sporting Goods	4%
Food, Candy, Snacks	4%

Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Express High Preference for Private Label

(% of shoppers expressing a preference for private label)

Hardware	31%
Women's Apparel	15%
Automotive	15%
Children's Apparel	13%
Domestics	10%
Men's Apparel	7%
Housewares	7%
H&BC	7%
Cosmetics	5%
Blank Videocassettes	5%

Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Would Buy Another Brand If Their Preferred Brand Is Not Available

(% of discount store shoppers willing to switch brands)

Stationery	77%
Blank Videocassettes	69%
Greeting Cards	67%
Domestics	61%
Personal Care	57%
Children's Apparel	57%
Glassware and Dishes	56%
Food, Candy, Snacks	55%
Household Cleaners	54%
Housewares	51%

Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Feel Confident of Finding the Brands They Want

(Mean rating on scale of 1-9, 1 = 'not likely to find'; 9 = 'sure to find')

Film	8.35
Blank Videocassettes	7.88
Personal Care	7.88
Cosmetics	7.82
Household Cleaners	7.69
H&BC	7.66
Automotive	7.61
Beverages	7.58
Toys	7.53
Stationery	7.53

Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Don't Feel Confident of Finding the Brands They Want

(Mean rating on scale of 1-9, 1 = 'not likely to find'; 9 = 'sure to find')

Hardware	6.28
Children's Apparel	6.59
CE	6.59
Men's Apparel	6.84
Sporting Goods	6.86
Greeting Cards	6.89
Women's Apparel	7.01
Photo, Camera	7.14
Housewares	7.22
Glassware and Dishes	7.29

Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Have a Low Degree of Brand Preference

(% of discount store shoppers with a brand preference)

Stationery	39%
Domestics	41%
Children's Apparel	43%
Glassware and Dishes	47%
Women's Apparel	49%
Hardware	59%
Personal Care	61%
Housewares	63%
Sporting Goods	67%
Men's Apparel	67%

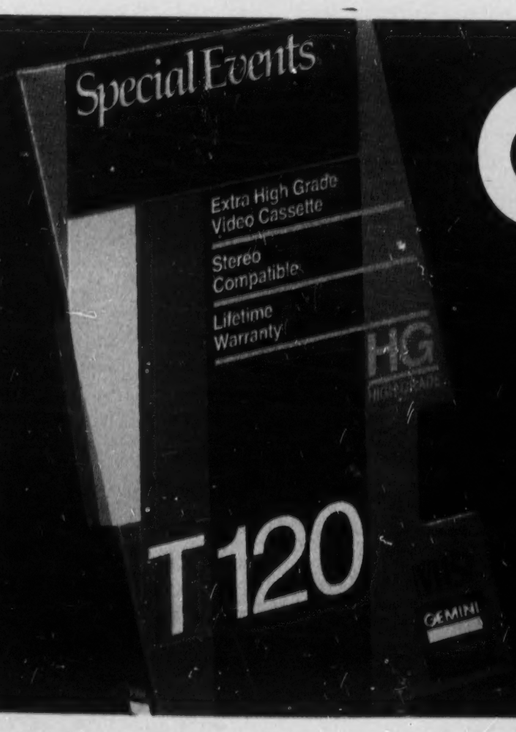
Source: DSN/Leo J. Shapiro & Assoc.

Departments Where Consumers Would Skip Making a Purchase If Their Preferred Brand Is Not Available

(% of discount store shoppers who would skip purchase if preferred brand was unavailable)

Photo, Camera	68%
Cosmetics	62%
Men's Apparel	61%
CE	60%
Hardware	59%
Beverages	58%
Film	58%
Sporting Goods	54%
Toys	54%
Women's Apparel	53%

Source: DSN/Leo J. Shapiro & Assoc.



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TOP BRANDS: PART II

Hanes, Gitano Emerge as Ladies' Power Brands

Hanes and Gitano were discount store consumers' most preferred women's brands in this year's top brands consumer study. The same two labels made the top grade in managers' minds as well, placing them in the elite group of power brands.

In fact, managers and consumers agreed more readily in the women's apparel category about the best sellers than they did for either men's or children's wear. Seven out of the Top 10 brands in the consumer study also appeared in the manager's study: Hanes, Gitano, Jaclyn Smith, Lee, Levi's, Chic and Playtex.

Missing from the fold compared to last year's results are Fruit of the Loom (the first time in three years that the brand didn't make the Top 10) along with Jordache and Wrangler. These three brand names did appear among the manager's Top 10 performing brands this year.

Wrangler will have a chance to redeem itself in 1993 as a revamped women's wear line hits the stores.

Cherokee, a favored department store brand, is also branching out into the discount tier, although its new line for discount will be sold under the Gelati label. This year marked the first time Cherokee appeared on the Top 10 of the consumer's preferences since the inception of the study.

Two pantyhose brands, L'eggs and No Nonsense, were also named as preferred brands by consumers. Though rarely mentioned by retailers as a top performer, pantyhose is one category that women buy often and usually stay loyal to.

The preference for brands comes across loud and clear in this category. Although Jaclyn Smith, Kmart's private label line, was mentioned by consumers, they overwhelmingly prefer national brands.

Women's Apparel: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Hanes	21%	21%	20%	18%	2
Gitano	13	17	14	13	1
L'eggs	10	10	11	8	—
Lee	9	9	8	15	2
Jaclyn Smith	9	10	8	13	7
Levi's	6	3	6	5	10
Chic	5	5	5	10	4
No Nonsense	4	5	5	—	—
Cherokee	3	3	4	5	—
Playtex	2	2	2	—	8

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

***The preference for national brands** was obvious in ladies' wear. Only 15% of respondents in the category prefer private label goods.*

There are those who will argue, however, that the definition of private label is not clear for consumers, who see Jaclyn Smith as a brand in the same way they see Lee as a brand.

With the large number of consumers who shop Kmart each year, it's no wonder that Kmart's exclusive Jaclyn Smith women's apparel line receives a significant percentage of responses from consumers as a preferred brand.

Another significant finding in this year's study is the number of respondents willing to switch brands if their favorite is not available. This figure has shifted from year to year, but could be attributable to the economy. In tougher times, the value may be more important than the actual brand name to consumers. In the current study, 47% of respondents in the women's category were willing to switch brands, up from 39% a year earlier.

In addition, respondents have remained consistently confident about finding the brands they want in discount stores. About 35% of those questioned said they were likely to find their brand of choice in the discount store they shopped the most. That figure has ranged from a low of 32% in 1991 to a high of 37% in 1989.

As was the case in the managers' part of the study, Lee was cited as a favored brand. With Lee's plans to eliminate its discount distribution, it will be interesting to see next year's survey, as it may leave open a spot for another brand to endear itself to both managers and consumers.

Revlon's Popularity at All Discounters Earns it Top Spot

In what continues to be a three-horse race in cosmetics, Revlon pulled ahead of both Maybelline and Cover Girl, which rode in at the second and third spots, respectively, and finished first by a hair with 27% of consumers mentioning it as the brand they want when shopping.

Revlon, the No. 3 brand just a year ago, displaced Maybelline as the No. 1 brand in consumers' minds this year, also striding ahead of Cover Girl, which placed third with 24% of mentions.

The rapid rise of Revlon can be traced to its strong performance at all discounters, with 27% of consumers naming it as the brand they want when they go shopping. Last year, Revlon was named by 18% as a preferred brand. In addition, Maybelline dropped to 25% of mentions from 27% last year and Cover Girl dipped to 24% from 26% that mentioned it last year.

The Big Three discounters also contributed to the shifting of positions at the top.

At Kmart, Revlon was the big winner with 26% of consumers mentioning it as a preferred brand, up from 18% of mentions it received last year. Both Maybelline and Cover Girl received less mentions this year, especially at Kmart, where Maybelline was mentioned by 25% of consumers as opposed to the 32% that named it as a preferred brand in '91.

Revlon was a preferred brand among Wal-Mart shoppers, gaining eight percentage points this year over last year's survey. The only downside to the brand's successful run was at Target, where Revlon was only mentioned by 19% of consumers, down from the 26% that named it last year.

Maybelline, the No. 1 performing brand in cosmetics, according to store managers interviewed for *DSN's* Top Brands Retailer Survey (see *DSN*, Oct. 5), got the one-two-three punch at the top discounters. Maybelline received less mentions at all three of the major chains, especially at Wal-Mart where it lost momentum with only 22% of mentions as a preferred brand, 13 points off from '91.

Cover Girl, which was edged out by Maybelline in this year's consumer survey, remained stable at Wal-Mart but was mentioned less often as a preferred brand at both Kmart and Target.

Cosmetics: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Revlon	27%	22%	26%	19%	3
Maybelline	25	22	25	24	1
Cover Girl	24	27	26	28	2
L'Oreal	8	10	8	9	4
Almay	6	6	6	6	7
Clarion	5	3	5	5	8
Max Factor	3	3	3	3	5
Coty	3	4	3	3	—
Estee Lauder	3	1	2	2	—
Clairol	2	3	2	3	9

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

The rest of the brands that comprise the Top 10 also played musical chairs, with no brand remaining in the same position. For instance, L'Oreal (fourth) was sixth last year and Clarion (sixth) was fourth last year. Two newcomers to the consumer list are Coty (eighth) and Estee Lauder (ninth). Rounding out the list were Almay (fifth), Max Factor (seventh) and No. 10 Clairol.

According to *DSN*'s Top Brands Survey, consumers were very confident of finding the brand they wanted, with a little more than five out of 10 reporting that they were sure they would find the brands they want at the discount store they shop at most often. On a scale of 1 to 9 (with 1 meaning "not likely to find and 9 "sure" of finding their preferred brand), cosmetics received a mean rating of 7.82, placing it in the fourth position trailing film, which received the highest mean rating of 8.35, personal care appliances and blank videocassettes.

TOP BRANDS: PART II

Basics Brands Fare Best in Men's Wear Survey

Consumers named Levi's as their most preferred men's wear brand in this year's Top Brands Survey of consumers. Levi's was one of six men's apparel labels that was mentioned by both discount store consumers as a top preferred brand and by discount store managers as a top performing brand in the men's wear department.

The other top brands on both lists were Hanes, Fruit of the Loom, Wrangler, Lee and Rustler.

Despite some disparity in specific brands, one theme did remain consistent in both the manager and consumer studies: the emphasis on apparel basics, such as fleece, underwear and jeans. Seven brands in those merchandise categories were listed among the managers' Top 10 performers. In the consumer survey, nine of the Top 10 preferred brands (Arrow was the exception) are players in one of those basic categories.

In fact, two additions to the consumers' list from last year—Jockey and Rustler—also fit well into those parameters. Van Huesen and Dickies were absent from this year's consumer list. Rustler had not made this listing since 1988 and Jockey last appeared in the 1990 survey.

Bugle Boy, primarily a specialty and department store brand, again made the list. In addition, Lee, now being taken out of discount distribution, placed fourth among consumers, up from eighth place last year. Lee garnered 11% of mentions for this year's survey, compared to 2% in 1990. It will be a brand missed by both managers and consumers.

Distribution is an issue for both Lee and Bugle Boy. Bugle Boy had found its way to discount through diverters. That may change in the future, as will Lee's availability at the discount store level. That may give other jeans brands, such as Brittania, a chance to do as well in the minds of consumers as they have in the minds of discount store managers.

Along with Brittania, other notables that made the managers' chart but not the consumer list were Gitano, Reed st. James, and Dickies.

Of all the apparel categories, men's wear customers were the least likely to have a preference for private label merchandise. Only 7% of those questioned expressed a preference for private label men's wear.

At the same time, men's wear customers seemed the most loyal to brands. A full 67% reported a brand preference in the men's apparel category. This was higher than either women's or children's wear.

Similarly, only 39% of respondents said they would be willing to switch brands if their first choice was not available. This was the lowest result for any apparel category.

As in women's wear, about one-third of respondents were confident they would find their preferred brand at the store they shopped most often. About 35% said they were confident about finding the brand they wanted, up from 31% a year earlier.

Men's Apparel: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Levi's	27%	24%	27%	27%	9
Hanes	24	27	25	25	1
Fruit of the Loom	16	14	16	12	2
Lee	12	8	12	12	4
Wrangler	6	4	6	3	3
Bugle Boy	6	8	4	4	—
Arrow	5	6	6	7	—
Jockey	5	4	4	9	—
BVD	4	3	4	4	—
Rustler	2	2	3	1	6

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Brand Switching Runs High in Children's Apparel

A number of new names cropped up on consumers' top brands list for children's wear, the most volatile of the apparel charts.

Four brands were mentioned in the survey this year that were not on consumers' minds last year: Health-Tex, Bugle Boy, Carter and Lee. Perhaps because of the quick-change nature of this market, it was the apparel category where manager and consumer responses matched the least.

Only five brands were ranked among the Top 10 in both the managers survey of top performing brands and the consumer survey of most preferred labels. These were OshKosh, Hanes, Fruit of the Loom, Gerber and Lee.

The top three brands mentioned by consumers also made significant jumps on the chart. OshKosh got 22% of consumer mentions this year, compared to 10% last year. Levi's got 14% of mentions and Health-Tex got 9%, placing them in second and third place. Neither brand made the chart in 1991, though they have appeared on the chart in previous years. Bugle Boy was the only brand to appear on the consumer survey for the first time.

Missing from last year's listing were Huggies, Buster Brown, Reebok and Wrangler.

The volatility of this particular apparel area came through in the remainder of the children's wear survey as well.

Just 43% of respondents named a brand preference for children's wear, the lowest of all apparel categories.

About 13% of respondents said they had a preference for private label goods, placing children's apparel a relatively high fourth, behind hardware, automotive and women's apparel, for private label preferences.

***Children's wear shoppers were** more willing to switch brands than any other apparel category—57% said they would try another label.* (DSN photo)

Consumers were also more willing to switch children's wear brands than any other apparel category. A full 57% of respondents said they would be willing to switch children's apparel brands if they did not find the brand they wanted at the discount store they shopped at most.

One of the more interesting findings in this section of the children's apparel survey is the confidence consumers show in what brands they will find at retail.

Only 29% of consumers said they were confident of finding the children's apparel brand they want at stores. Only hardware and consumer electronics scored lower on this point.

The significance of this figure comes in the comparison of the answers to the 1991 survey. Then, a full 46% of respondents said they were confident of finding the brands they wanted. Since the inception of the survey, the response on this question has hovered at about 40%.

One of the reasons for the poor vote of confidence may be in the high ranking of traditional department store brands among the consumers' favorites.

Specifically, OshKosh, Bugle Boy and Nike (which placed first, fifth and 10th) are usually found in department and specialty stores. However, OshKosh did begin selling Sears a number of years ago and has begun showing up in regional discount chains and Bugle Boy has been brought to some discount stores through diverters.

Consumers buying children's wear may further be dismayed when Lee takes its brand out of the discount store loop next year.

Ironically, despite the low confidence rating, children's apparel remains a pivotal part of most discount store operations. Given the willingness of many consumers to switch brands within this apparel category, it should hold strong for some time to come.

Children's Apparel: Consumer Brand Preference

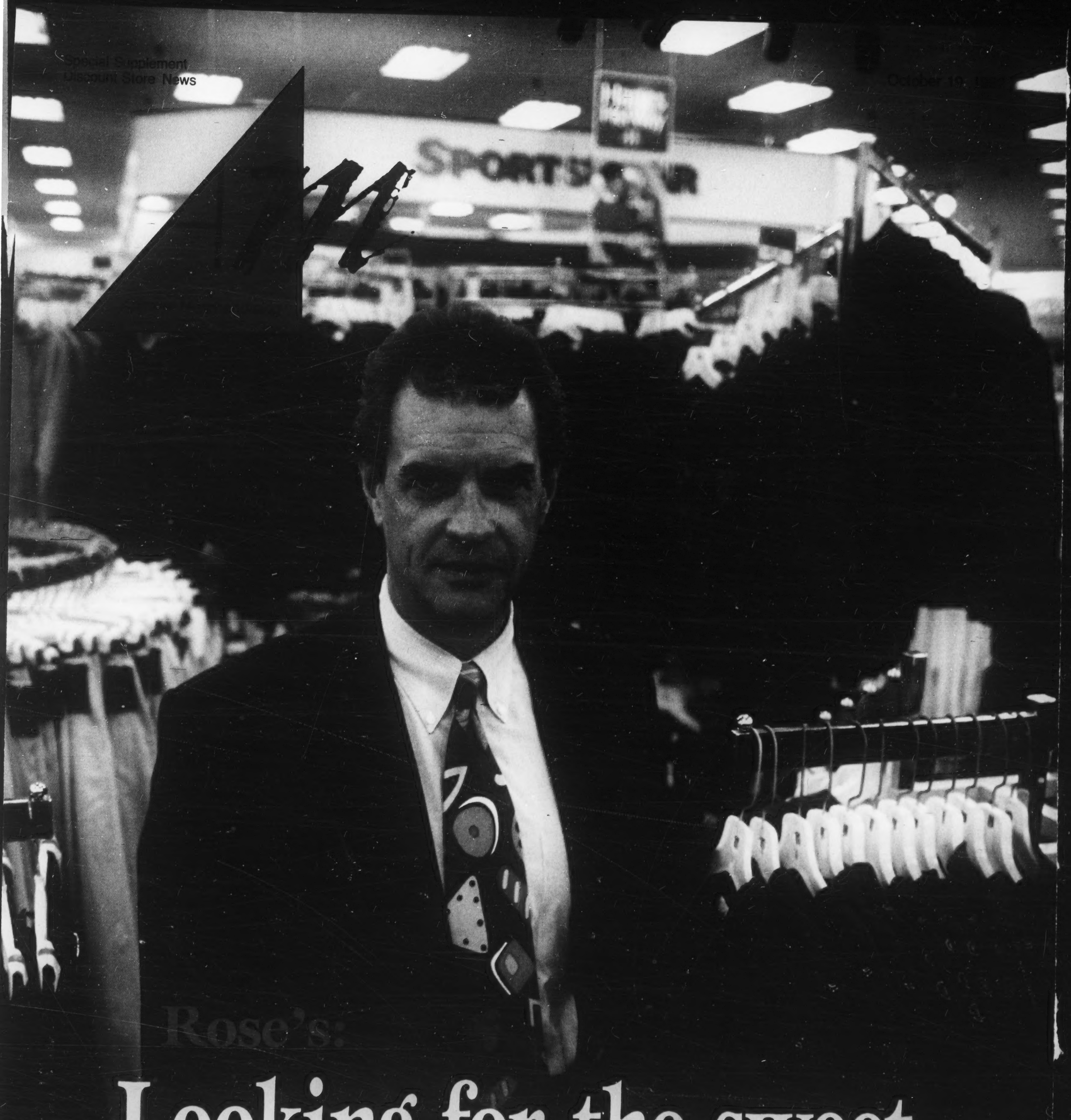
(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
OshKosh	22%	19%	19%	15%	8
Levi's	14	12	16	18	—
Health-Tex	9	9	9	7	—
Hanes	8	8	6	9	4
Bugle Boy	6	6	7	8	—
Carter	6	6	6	8	—
Fruit of the Loom	5	6	6	5	3
Gerber	5	5	6	6	5
Lee	4	5	2	6	6
Nike	4	2	4	2	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.



Rose's:

Looking for the sweet smell of success

Retailers of the Common Man

When Ross Perot, the Texas billionaire of the people, appeared on the 'Larry King Live' show recently, he said that the other presidential candidates were out of touch with the people and their needs.

But he offered them some advice. To get a grasp of the masses they should spend a little more time in the Wal-Marts and Home Depots of the world.

Maybe Perot will just buy one of the chains and use the customers for his own personal focus group.

British Tarrif

Transatlantic Bargains*

So you thought that prices in the United States were high. Well, check out some of these British tags:

Product	Price British	Price American
Levi's 501 jeans	$ 66	$ 36
Nike Air Jordan trainers	160	116
Armani suit	1,600	1,068
Ray-Ban Wayfarer sunglasses	123	53
Compact disc	23	11
Olympus MJU pocket camera	196	89
Ping Eye II golf clubs	1,558	659
As the Crow Flies paperback edition by Jeffrey Archer	11	6
McDonald's Big Mac	3	1.79

*Based on recent pricing averages.

Clarification

Sales of dress shirts at Sears, Roebuck and Co. increased 6.5 percent for the first quarter of 1992 compared to the same period a year earlier, according to a spokeswoman for the company.

Figures provided to *Apparel Merchandising* by The NPD Group, the Port Washington, N.Y.-based research company, that were published in the Sept. 7 issue indicated that first quarter '92 sales of dress shirts at Sears were considerably lower than they were for first quarter 1991.

While NPD stands behind its quarterly figures, it has released first half dress shirt numbers for Sears that show that the category is running ahead at the company for the 6 month period.

According to NPD, Sears generated $52.2 million in dress shirt sales during the first half of 1991. For the same period this year the store garnered $55.2 million, an increase of about 6 percent.

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X Marks the Spot

Four apparel companies marketing Malcolm X merchandise are being sued by Curtis Management Group, Indianapolis, business agents for the family of Malcolm X.

Merchandise with the civil rights leader's image or with an "X" has become increasingly popular in anticipation of director Spike Lee's movie about the activist due out next month.

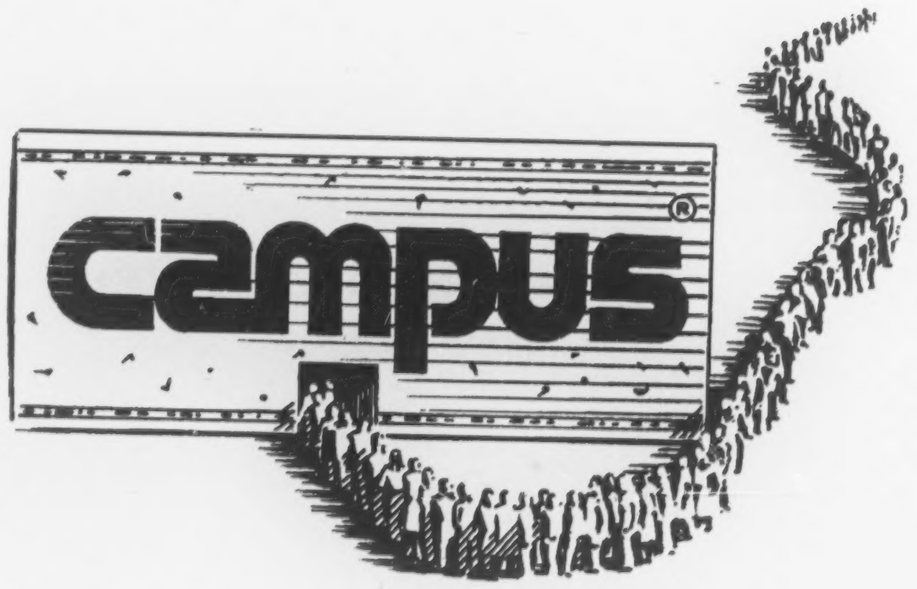
The four companies named in the suit include: Goose Down U.S.A. (jackets); Broner Glove Co., (hats and caps); New York Apparel Sales (T-shirts); and Fresh Caps Inc. (hats and caps). According to papers filed in U.S. District Court, Nevada, each of the defendants were exhibiting the merchandise at the MAGIC Show.

According to Stephanie Osha, director of promotions, Curtis Management, both an "X" mark (when related to Malcolm X) as well as his image is included in the complaint against these four companies. It remains to be seen if a court will allow that a simple "X" on a piece of merchandise constituents a licensing infringement. The complaint was filed in September; there has been no additional action since then.

There are 22 companies that do have licensing rights to market and produce merchandise related to Malcolm X. That includes T-shirts and caps in varying price ranges.

Curtis Management handles the licensing of a number of entertainment and historical personalities. It is also involved in a dispute with a foreign apparel company called Bogart Jeans which was using the name and image of Humphrey Bogart, another licensing property managed by Curtis.

Draw a crowd.



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Basics best at discount

Discounters' biggest volume in apparel comes from basic items such as fleece, jeans and underwear.

If that retail statement of law was ever in any doubt, the latest study of Power Brands from Leo J. Shapiro & Associates, Chicago, reinforces the premise. The study was compiled for *Discount Store News* from two interviewing sessions. One queried mass market store managers across the United States, while a separate questionnaire examined consumer responses to favored brands.

For sheer number of mentions Hanes and Lee, which both fit under the basics umbrella, were the big winners. Each brand was named in every category—men's, women's and children's—by both store managers and consumers. Those brands pack an obviously powerful punch at retail.

Managers matched seven out of 10 brands mentioned by consumers in the women's wear category. The consensus didn't hold up as well in the other apparel areas. In men's wear, six out of the seven brands were mentioned in both consumer and manager lists. In children's, only five of the mentioned brands found their way on both charts.

It will be interesting to see if next year's study will still include Lee in light of that company's decision to pull out of the mass market during second quarter 1993. Across the board, Lee was ranked highly in the minds of managers (third in women's wear, fourth in men's and sixth in children's) as well as consumers (fourth in men's, fifth in women's and ninth in children's).

For managers, Gitano was also a big winner. It was named by managers in all three apparel categories, although consumers only mentioned it in women's.

Managers have high hopes that the current strong brands will bode well for them in the future. Asked to project sales increases through 1992, managers primarily stuck with the top three or four performers, all but one falling into the jeans/fleece/underwear arena (Fisher-Price in children's wear).

The survey also asked managers to forecast sales for these brands through 1992. Not surprisingly, the current leaders were given a vote of confidence by managers who expected store sales to increase about 10 percent. However, some brands placing lower in the charts—Wrangler in the children's chart, for instance—were given a thumbs up for the future by managers.

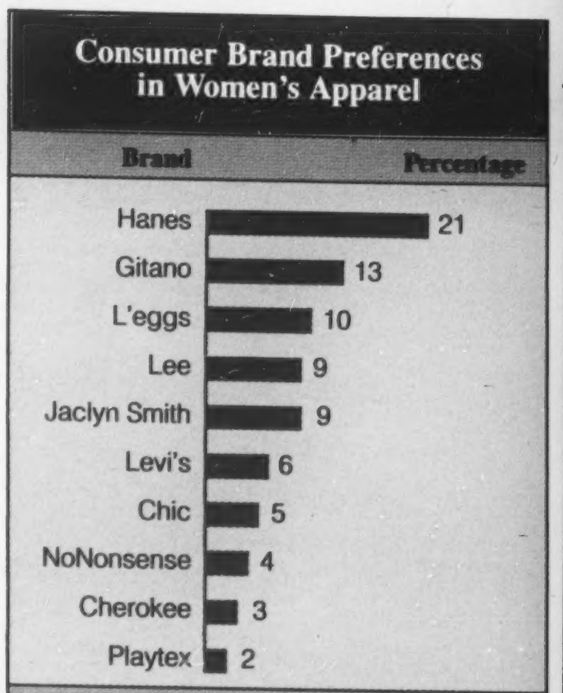
The whims of consumers and the changing distribution at retail will continue to shape future top brands listings. ◢

Top Performing Women's Wear Brands

Brand	Percentage of managers naming brand as top performer in department	Forecast increased sales of more than 10%[1]	Forecast increased sales less than 10%[2]	Not sure	Decrease or no change
Gitano	40.0	46.1	42.6	25.3	38.7
Hanes	22.2	20.1	27.5	23.4	13.7
Lee	22.1	17.9	24.9	25.2	21.9
Chic	20.7	16.6	26.4	14.0	25.7
Wrangler	11.5	8.5	10.4	14.9	16.2
Fruit of the Loom	9.6	9.7	12.2	6.6	7.5
Jaclyn Smith*	9.1	7.2	14.4	—	12.8
Jordache	6.8	7.3	3.4	6.0	14.4
Playtex	6.8	8.5	6.8	6.4	3.4
Levi's	5.6	4.0	10.0	4.5	.9

*Kmart private label brand
[1]Reflects brand mentions of managers forecasting increases of 10 percent or more for their stores' overall sales.
[2]Reflects brand mentions of managers forecasting increases of 10 percent or less for their stores' overall sales.
Source: *DSN* research.

Consumer Brand Preferences in Women's Apparel



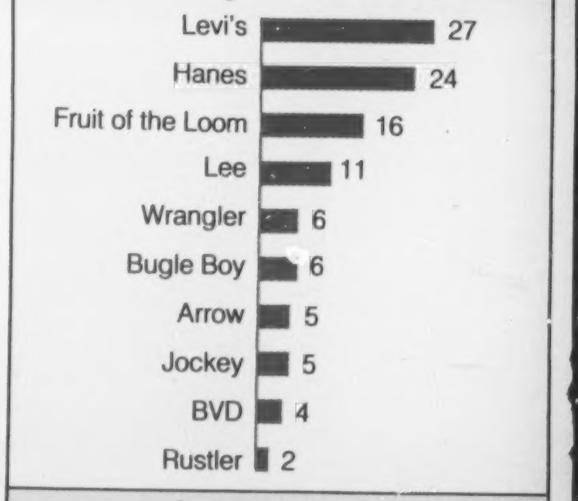
Source: *DSN* research

Top Performing Men's Wear Brands

Brand	Percentage of managers naming brand as top performer in department	Forecast increased sales of more than 10%[1]	Forecast increased sales less than 10%[2]	Not sure	Decrease or no change
Hanes	36.9	43.8	30.1	30.1	18.6
Fruit of the Loom	33.4	33	45.4	23.6	19.9
Wrangler	32.1	32.4	32.4	30.4	33.1
Lee	20.9	14.3	25.8	21.1	24.4
Gitano	15.7	19.8	.7	7.9	13.6
Rustler	10.5	10.1	12.6	7.4	10.7
Brittania	9.5	10.1	12.6	7.4	10.7
Reed st. James	8.9	16.0	7.9	5.3	—
Levi's	8.7	7.3	12.5	9.0	2.7
Dickies	8.4	4.6	11.9	7.2	10.8

[1]Reflects brand mentions of managers forecasting increases of 10 percent or more for their stores' overall sales.
[2]Reflects brand mentions of managers forecasting increases of 10 percent or less for their stores' overall sales.
Source: *DSN* research.

Consumer Brand Preferences in Men's Apparel



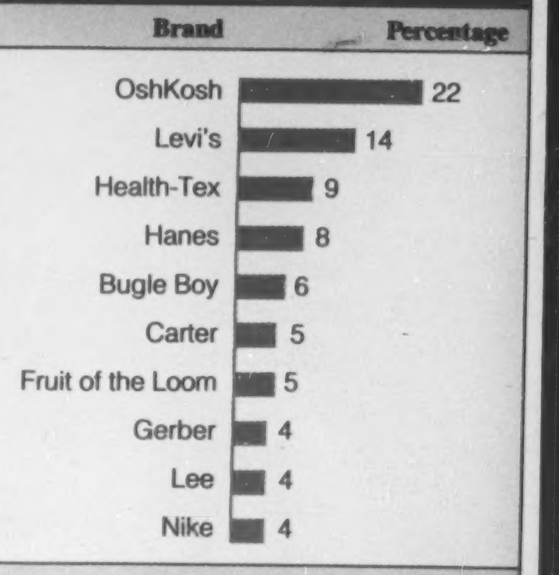
Source: *DSN* research

Top Performing Children's Wear Brands

Brand	Percentage of managers naming brand as top performer in department	Forecast increased sales of more than 10%[1]	Forecast increased sales less than 10%[2]	Not sure	Decrease or no change
Gitano	15.9	18.3	10.6	22.9	15.1
Fisher Price	12.9	19.1	1.1	3.5	12.7
Fruit of the Loom	12.1	11.8	12.6	13.2	11.1
Hanes	11.8	8.4	12.9	19.0	9.8
Gerber	10.7	4.8	15.7	9.9	12.8
Lee	9.9	6.4	9.5	14.3	13.4
Wrangler	9.3	11.5	9.4	6.9	7.3
Osh Kosh	6.8	3.9	11.1	3.5	7.1
Pampers	5.8	5.4	4.3	3.2	11.2
Liberty	5.7	5.4	7.3	—	8.2

[1]Reflects brand mentions of managers forecasting increases of 10 percent or more for their stores' overall sales.
[2]Reflects brand mentions of managers forecasting increases of 10 percent or less for their stores' overall sales.
Source: *DSN* research.

Consumer Brand Preferences in Children's Apparel



Source: *DSN* research

TOP BRANDS: PART II

Nearly a Quarter of CE Shoppers Opt for Sony

Store managers may prefer Emerson, but consumers, for the fourth consecutive year, prefer Sony, although the brand is still nowhere near dominating its category like Kodak (in photo, videocassettes and film) and Cannon (domestics) do theirs. Nearly one in four CE shoppers named Sony as his preferred brand. Nintendo, for the second year, finished second, but support for the video game giant dropped.

The big surprise was Kodak, which not only blew away the competition in photo and the new film categories, with a close second place in blank videocassettes, but finished tied for second with Nintendo, with about one in 10 consumers naming each brand. Kodak had never been listed on the Top 10 in consumer electronics.

Other gainers were Thomson's RCA brand, which gained a place to finish fourth (although sister brand GE slipped from fourth to eighth); Pioneer, which re-entered the chart at sixth after a year's absence; AT&T, moving up two places to seventh; and Emerson, which placed 10th, its first time in the Top 10 among consumers since 1989. (Several other brands finished in a statistical tie for 10th place; they included Sanyo, Magnavox, Maxell, Eveready, IBM, and Polaroid, with Zenith, Duracell, Sharp, Scotch, Memorex, Apple and Fuji right behind).

Eveready dropped off the chart, as did Zenith, and Panasonic and JVC each slipped two places, to fifth and ninth, respectively.

Relatively speaking, the perceptions of discount store managers and consumers aren't all different. Six brands made each group's Top 10, although in different order. Had Nintendo not dropped off the managers' survey and Kodak not made an entirely unexpected entry onto the consumers', there could have been convergence on eight of the Top 10.

Store choice had almost no influence on brand choice. Top brands were remarkably consistent among Wal-Mart, Kmart and Target shoppers. There were some differences. Sony, Panasonic, GE, and Eveready were very popular with Target shoppers. Wal-Mart shoppers tended to spread their votes around, with only Kodak receiving a higher than average rating. And at Kmart, shoppers showed marginally higher preferences for RCA and AT&T.

Consumers were much more brand loyal in CE than in other parts of the store. Only four of 10 said that they would switch to another brand if their preferred brand was unavailable. And discounters may be losing some sales in this department by not having the top brands in stock; consumers were relatively unsure that they would find their brand in stock (a mean rating of 7.02 on a scale of 1 to 9, compared to highs of 7.99 in other deparments). Only one in three shoppers felt "sure of finding" their preferred brand(s).

Shoppers are not interested at all in private label consumer electronics, according to the survey.

Consumer Electronics: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Sony	23%	21%	21%	27%	2
Nintendo	10	9	9	10	—
Kodak	10	12	11	11	—
RCA	9	7	10	5	4
Panasonic	8	7	9	6	6
Pioneer	7	7	5	4	—
AT&T	6	6	7	7	8
General Electric	5	4	4	7	3
JVC	4	2	3	6	—
Emerson	3	4	2	1	1

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

***About one in ten shoppers** named Nintendo, shown here at Venture, Des Moines, Iowa, as a top brand, putting it in second place.* (DSN photos)

***While store managers** ranked GE third, the brand slipped from fourth place to eighth on the consumer survey.*

Consumers Exhibit Little Brand Loyalty in Videocassettes

Kodak, the brand which swept photo and the new film category, then leaped from nowhere to tie for second in consumer electronics, was narrowly edged out by Sony in the new blank videocassette category in a discount store consumer brand preference survey conducted by Leo J. Shapiro and Associates for *DSN*.

Sony was preferred by about one in six consumers, Kodak by about one in seven.

Kodak also finished right behind Sony in a companion survey of discount store managers who were asked to name their best performing brands. Otherwise, consumers and store managers tended to name the same brands, although in different order. The only difference was Panasonic, which was named by consumers and not by managers, who (presumably due to overwhelming Kmart support) named Kmart's Focal house brand instead.

Overall, consumers were confident about finding their preferred brands in the videotape category. On a scale of 1 to 9, confidence in finding preferred brands scored a mean rating of 7.88, among the highest levels in the store (only film scored higher). More than half of shoppers said that they were "sure of finding" their preferred brand(s). Also, nearly all respondents (96%) had a brand preference.

Preference or no, however, brand loyalty was almost nonexistent in the category, which dovetails with real life, where 8 to 10 brands enjoy roughly equal market share. Seven of 10 shoppers said that if their preferred brand was unavailable, they'd buy another brand. Only in stationery was brand loyalty softer.

Few consumers would switch to private label videocassettes. Only 5% of consumers expressed a preference for private label tapes, perhaps because of fears that they will damage sensitive VCRs and camcorders.

There were several variations in preference chain-to-chain. Target shoppers preferred Sony and Scotch/3M and were less supportive than average of Memorex and Maxell. Kmart shoppers preferred Kodak, Fuji, and Memorex, and Wal-Mart shoppers showed a higher-than-average preference for Scotch/3M and JVC, while giving Kodak relatively low support.

This is a category that simply can't be dominated by any one brand. With a high of 16% of respondents, Sony, which reportedly does have a slight market share lead, is perhaps the most underwhelming winner in any category. The eighth place finisher, Fuji, had just under 10%, to illustrate how close the leading brands are bunched. In the future, a heavy advertising campaign, a sudden jump in store fronts, or a special promotion could cause this chart to turn itself upside down.

Apart from the Top 10, only Ricoh and GE received measurable responses.

Blank Videocassettes: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Sony	16%	16%	15%	20%	1
Kodak	13	8	15	13	2
Memorex	12	14	14	9	7
Maxell	11	9	12	9	4
Scotch/3M	10	11	9	14	5
TDK	9	10	8	6	3
Polaroid	9	9	9	5	5
Fuji	9	7	10	8	9
BASF	6	4	5	3	8
JVC	5	7	5	5	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

TOP BRANDS: PART II

Housewares Shoppers Show Their Brand Loyalty

Consumers shopping for housewares were fairly brand loyal compared to other merchandise categories, based on *DSN*'s survey of discount store shoppers.

Slightly more than half would switch to another brand rather than skip the purchase altogether, reflecting a relatively high degree of brand loyalty, especially in a category where the shopper is more likely to be making a purchase out of necessity.

Target shoppers have more stated brand preference in the housewares department than either Kmart or Wal-Mart shoppers. Of the Kmart and Wal-Mart shopper populations, 64% said they had a brand preference in housewares, while 69% of Target customers said they had a preferred housewares brand.

Wal-Mart, Kmart and Target shoppers generally agreed that Rubbermaid, General Electric and Black & Decker were among the brands they would want when shopping the housewares department.

However, there was a subtle rift between the brand preferences of Target customers vs. those who shopped Wal-Mart or Kmart.

The differences can be accounted for in several ways. To some extent, a brand was named more by shoppers of one particular chain due to the level of advertising support it receives, whether or not the brand is even stocked at that chain and whether the particular brand is given endcap presentation or is well-supported with point-of-purchase materials. The demographics of the shoppers also contributed to the brands they most often named.

For instance, while Rubbermaid was the most often named brand by all consumers who stated a brand preference in housewares, the availability of other plastic brands such as Sterilite in the Target assortment could have resulted in slightly fewer mentions of Rubbermaid among Target shoppers.

The top brand listing for Target consumers also included brands that discount shoppers as a whole mentioned infrequently. As a result, some of these brands did not make the Top 10 roster, including the small appliance brands of Proctor-Silex and Hamilton Beach. If these two "brands" which are owned by a single company, were combined, products from this manufacturer would be the sixth most often named brand for Target. Measured separately, these two appliance labels still would have been on Target's Top 10 brands list.

Target's private label program did not go unnoticed by its shoppers. Six percent named a private label or store brand as one of the "brands" they thought of when they shopped for housewares at Target stores. This compared with 5.5% at Wal-Mart and just over 4% at Kmart.

While Kmart and Wal-Mart shoppers were more like-minded about the housewares brand they would shop for, the strengths and weaknesses of the individual chains were reflected in the brands chosen.

Differences included more frequent mentions of most kitchen appliance names such as General Electric, Black & Decker and others at Wal-Mart than at Kmart. The fewer mentions by Kmart customers could reflect, in part, the more prominent location and intensive merchandising of the category at most Wal-Mart stores compared with most Kmart stores.

The word "housewares" evidently conjured up in the consumer's mind a broad spectrum of items that would not typically be considered part of a housewares department—like merchandise from Cannon or the laundry detergent Tide.

Housewares: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Rubbermaid	16%	16%	15%	13%	1
General Electric	12	12	11	13	—
Black & Decker	11	12	11	9	4
Cannon	9	11	10	9	—
Mr. Coffee	7	8	8	8	5
Corning	6	4	6	4	5
Tide	4	3	3	5	—
Oster	3	4	3	2	—
Revere	3	3	2	3	—
Sunbeam	3	4	3	2	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Libbey, Corning Shine Among Glass, Dinnerware Brands

When it comes to buying glassware and dinnerware in a discount store, very few brands are named by consumers as a preferred brand, based on a consumer survey of brand preference by *Discount Store News*.

The listing contracted this year to five brands, down from seven last year.

Libbey tops the list this year, rising above last year's top brands, Corning and Corelle, and is the dominant glassware supplier. But the combination of Corning Inc.'s brands—Corelle dinnerware, coupled with Corning and Pyrex serveware/bakeware—add up to a dominant position for a single manufacturer.

While Libbey is the undisputed favorite discount store brand of glassware overall, Anchor Hocking glassware does have a following with Kmart shoppers, Wal-Mart shoppers, and to a lesser extent, Target shoppers.

Private label is not much of a factor in the glassware and dinnerware category, which is especially significant since Target had taken pains to create an integrated private label tableware program.

It is possible, however, that the absence of Target's name on the packaging led consumers to believe that the tableware was not a private label program. This would explain why "Other" brands were preferred by Target consumers far more than at Kmart, Wal-Mart or any other discounter.

A brand other than the leaders was named by roughly 12% of consumers, except those who shopped at Target where slightly more than 20% named a different brand. Given the various names Target uses in its private label tableware program, no single private label would emerge as a dominant "brand" for Target.

The popularity of private label dropped from 8% to 3% since last year, which could suggest that the now defunct Martha Stewart line of glassware and dinnerware at Kmart may have had pockets of consumer popularity.

Despite the very small universe of preferred brands and the wide availability of these national brand leaders at full-line discount stores across the country, consumers are nonetheless less certain of finding these brands (or finding them in stock) than other categories. Just slightly over one-third of consumers surveyed were "certain" that they would find the brands they wanted at the discounter they shopped most often. All others were less than certain of finding one of these brands.

Glassware and Dishes: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Libbey	35%	36%	39%	43%	2
Corelle	31	30	28	22	1
Corning	19	19	18	14	1
Anchor Hocking	14	14	17	9	3
Pyrex	2	—	2	4	4
Other	13	13	12	20	—
Private Label/ Store Brand	3	4	2	3	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

***Just over one-third of consumers** surveyed was 'certain' they could find the dinnerware brands they wanted at their favorite discounter.*

TOP BRANDS: PART II

Cannon Group Blankets Domestics Category

Cannon and its associated brands swept the annual Top Brands Survey of discount store shoppers. Nearly seven of 10 discount shoppers named Cannon as their preferred brand, but Fieldcrest, which finished second, and St. Mary's (fourth) brought the total percentage to name a Cannon brand up to about eight of 10.

With such overwhelming support of one brand, there was little left for competitors. The WestPoint/Pepperell group of brands finished third, with about one in 25 consumers citing one of its three brands, and sister company J.P. Stevens ran fifth, with about the same rate of mentions.

The only real surprise in the survey was the strong finish for Dundee Mills, which had never placed among the Top 10 in the consumer poll before. The brand finished seventh, with about one in 50 consumers citing it. Martex (sixth), Burlington (seventh), Springs (ninth), and Dan River and Springmaid (tied for 10th) rounded out the Top 10.

Compared with last year, results were fairly consistent. Gloria Vanderbilt, the Stevens license, dropped off the chart; the only new entry this year was Dundee. Springs would have placed a bit higher had mentions of Springmaid been added in. The only other brands mentioned were TasteMaker and Beacon, both of which narrowly missed the Top 10.

On the whole, consumers were less confident of finding their preferred brands in the domestics department, both in comparison to past years and compared to levels of confidence in other departments, but the difference was not pronounced. Consumers reported a mean 7.36 on a scale of 1 to 9 (with 9 being "sure of finding") as their level of confidence in their ability to find their favorite domestics brand. That compares to 7.47 a year ago (roughly the historical level) and 7.99 at the top department in terms of brand availability, H&BC. About four in 10 said that they were "sure of finding" their preferred brand.

Preference for private label, which exploded last year (to one in four consumers) fell back to earth (about one in six) in '92. The introduction of Kmart's Martha Stewart and Target's Country Estates in recent years may have caused the blip.

On the whole, consumers are not intensely brand loyal in this department. About six in 10 said they would switch brands if their preferred brand wasn't there, one of the highest rates in the store, topped only by stationery, blank videocassettes and greeting cards. People tend to buy by color and design, not brand, in this area, so the results are hardly a surprise and remain at historical levels.

In comparison to store managers' choices as top performing brands, consumers were close, naming all seven of the top seven brands as judged by managers. The rest of the managers' Top 10 were window treatment brands, which consumers didn't mention.

There was very little variation among the shoppers at the three major discounters in terms of preferred brands. Target shoppers were marginally more impressed with store brands than was the case at Kmart or Wal-Mart, and Wal-Mart shoppers tended to lump their mentions, failing to even mention St. Mary's, Dundee, Springs, or Dan River. Wal-Mart shoppers were also slightly less brand loyal than shoppers at Kmart and Target.

Domestics: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Cannon	67%	72%	67%	66%	1
Fieldcrest	8	7	9	13	7
WestPoint/Pepperell	4	4	4	2	3
St. Mary's	4	—	4	4	4
J.P. Stevens	4	6	4	4	2
Martex	4	2	4	3	—
Burlington	2	2	2	—	—
Dundee Mills	2	2	2	—	—
Springs	1	—	1	—	5
Springmaid	1	—	1	—	—
Dan River	1	—	1	—	6

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

***Style is more** important than brand name to consumers shopping for domestics.* (DSN photo)

Consumer Loyalty is Key in Personal Care Appliances

The world of personal care appliance brands is rather finite in the eyes of the consumer, based on a survey of consumers by *DSN*. The big name brands dominate—Conair, Vidal Sassoon, Norelco, and Clairol, plus a handful of others—and few other labels came to mind among those surveyed.

More than six out of 10 consumers have a preferred brand in personal care appliances—about the same level as for housewares. But unlike housewares and many other categories, brand preference is highly concentrated among the Top 10 consumer brands. In all, only 14 brands were named by at least 1% of all those surveyed who had a brand preference in personal care appliances, and only 8% supplied any other brand name.

The highly price competitive personal care appliance category has led each of the nation's top three discounters to offer brands that the others do not. While this can be said of other categories, the brand differentiation is especially pronounced in this category.

For instance, while Braun was named by only 4% and 5% of Kmart and Wal-Mart shoppers, respectively, as a brand they would shop for, 14% of Target customers named the brand. Conversely, 32% of Wal-Mart shoppers and 30% of Kmart shoppers named Conair, while about half as many Target customers said Conair is a brand they would prefer to buy.

Clairol, Remington, General Electric and Sunbeam were among those brands which were more evenly mentioned by shoppers of in these stores, and of discounters as a whole.

Windmere and Black & Decker are two brands which, while not on the Top 10 list of preferred consumer brands overall, did have a following among Target shoppers.

The importance of the top brands in the eyes of the consumer is intensifying, but the degree to which they differentiate among these top brands is at an all-time low, based on the *DSN* study. The number of consumers who would be willing to switch brands rather than skip the purchase altogether was at the highest level during the past five years. Last year, 46% of consumers said they would switch brands rather than defer the purchase of a personal care appliance, but the number willing to switch jumped to 57% in the 1992 study.

At the same time, consumers were very confident of finding the brands they want in the personal care department compared with most other merchandise categories. Of consumers surveyed, 47% said they were certain they would find the brand they wanted and 41% were fairly sure. Less than 10% were unsure. Examples of the level of uncertainty in other hard lines or home products categories reached 16% in glassware and dishes, 19% in stationery, 14% in household cleaners, 16% in toys and soft drinks. In soft goods, it was common for 25% or more to be unsure of finding their preferred brands in a discount store.

Personal Care Appliances: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Conair	26%	32%	29%	18%	1
Vidal Sassoon	18	20	16	23	3
Norelco	13	9	12	7	5
Clairol	12	15	12	15	2
Remington	9	9	8	8	4
Braun	8	5	4	14	9
General Electric	8	8	9	8	10
Sunbeam	6	6	6	6	—
Water-Pik	4	3	4	—	—
Gillette	3	2	3	4	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

TOP BRANDS: PART II

Tide Rolls On as Tops in Cleaners Category

While Tide continues to head a very long list of brands in the household cleaner and chemical category, and with a comfortable lead, consumers named 40 brands that they look for when shopping at a discount store.

After Tide, the brand preference numbers for the other 39 brands are so close it is difficult to determine a precise ranking.

The results were similar to the store manager survey conducted for *Discount Store News*. (Results were published in the Oct. 5 issue of *DSN*.) Managers listed 51 top performing brands in their survey, with Tide and Clorox in the first and second spots, and the rest following in a tight pack.

In addition, 23% of consumers mentioned a brand other than those specifically identified in the Top Brands Survey. Store brand/private label received a small level of response, less than 3% overall, but was mentioned by 5% of Target customers. None of the chains' new control label merchandise, such as Kmart's Prevail, was identified by consumers as a brand they look for, although Kmart managers specifically mentioned the new brand as a top performer in the companion store managers' survey conducted for *DSN*.

This year, as in previous top brands surveys, consumers revealed a strong preference for branded household chemicals (91%), and a very high level of confidence in finding what they want at retail stores.

Consequently, they have little preference for private label cleaners. Just 3% of respondents expressed such a preference, down from 4% in 1991.

Apparently, the large assortment of household cleaners offers consumers the ability to switch brands if their preferred label is unavailable.

Household Cleaners: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Tide	29%	27%	30%	28%	1
Dawn	12	15	12	9	10
Clorox	12	14	13	6	2
Lysol	10	8	9	12	6
Ajax	10	9	10	11	—
Windex	9	10	7	8	4
Comet	8	7	8	7	—
PineSol	6	6	6	10	—
Wisk	6	7	7	5	—
Colgate-Palmolive	6	6	6	5	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Over half, 54%, said they would switch brands if they couldn't find the one they were looking for, up one percentage point from last year.

Although this result leaves 46% of the shoppers saying they would skip the purchase entirely, apparently consumers are quite satisfied with the assortments offered to them.

According to survey responses, 53% of consumers are completely certain of finding the household cleaner they are shopping for, up from 47% a year ago. Only 14% of shoppers said they are unsure of finding their preferred brand.

On a scale of 1 to 9, with 1 meaning no confidence in finding products and nine meaning total confidence in finding products, consumers rated their confidence in the cleaners category at 7.69. This percentage is higher than all but four categories: cosmetics, personal care appliances, blank video cassettes and film.

The array of brands that tops consumers' shopping lists closely resembles that of previous years, but varies by discount store chain.

More Kmart shoppers seek out Tide than do frequent visitors to other discount stores—30%—compared to 28% and 27%, respectively, for frequent visitors to Target and Wal-Mart. Dawn and Clorox are in the No. 2 spot at Kmart, followed by Ajax and Lysol.

At Wal-Mart, Dawn is ranked in the second position. Clorox, Windex and Ajax follow.

Lysol is second at Target followed by Ajax, PineSol and Clorox.

***Tide was tops in** household cleaners, 17 points above about 30 other brands clustered closely together.*

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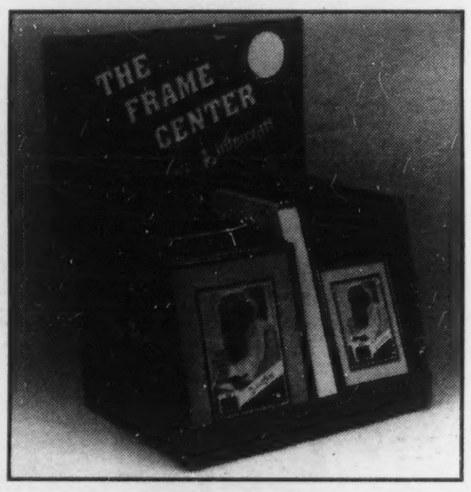

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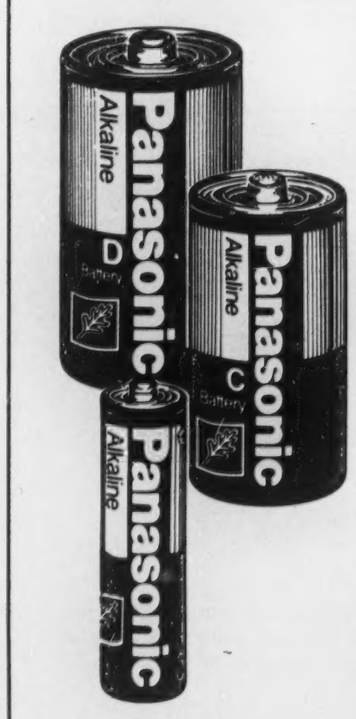

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TOP BRANDS: PART II

Consumers Focus on Name Brand Photo, Camera

When consumers shop for photo and camera supplies all they'll consider is name brand equipment.

Virtually all (99%) of shoppers in this survey said they have a brand preference in the photo, camera category, greater than every merchandise category but film—a separate category this year—which also has a brand preference of 99%.

Brand preference is so keen in photo, camera that no shopper participating in this survey expressed any interest at all in private label products. In addition, consumers are so specific about their photo and camera needs that two-thirds the respondents said they would skip the purchase entirely if the brand they want is unavailable. Only one-third said they would switch brands, the lowest switch rate in the survey.

In photo & camera, Kodak ranked No. 1 with consumers, but lost its overwhelming lead this year since film brands were examined in a separate category.

The brand consumers look for most in photo and camera is Kodak. However, Kodak lost its overwhelming lead in the category this year since film has been examined in a separate survey.

Despite this, Kodak maintains its No. 1 position in photo and camera with a little less than three in 10 consumers saying that it is a brand they look for at retail.

Last year, when film was included in the survey, eight of 10 consumers said Kodak was the brand they looked for in film and photo supplies.

Canon, No. 5 last year, jumped into second in the current survey with nearly one fourth of consumers saying they shop for Canon products in the photo and camera department, up from just one in 20 who said that in 1991. Canon is the leading power brand of discount store retailing, edging out Kodak, which came in second. Kodak, however, is a power brand in three categories: film, photo and camera, and blank videocassettes.

Photo, Camera: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Kodak	29%	30%	31%	27%	1
Canon	24	22	24	27	2
Minolta	21	24	22	18	4
Pentax	10	12	10	14	5
Nikon	8	7	9	7	7
Polaroid	5	5	5	3	3
Olympus	4	3	4	5	9
Vivitar	3	2	2	3	6
Panasonic	2	3	2	2	—
Yashica	1	2	1	2	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

In third place is Minolta, with 21% of consumers saying it is a brand they shop for in this category, a huge increase from the 1991 survey when only 2% of consumers named Minolta.

This year, with film excluded from photo and camera, the top brands list includes five brands new to the list: Pentax, in fourth with one in 10 consumer responses; Nikon, in fifth with 8% of consumers; Olympus in seventh with 4%; Vivitar, in eighth and 3%; and Yashica in 10th with 1%.

Polaroid, No. 2 last year with 6% of consumer responses, fell to sixth place this year, but with 5% of shopper mentions.

Consumers who identified themselves as either Kmart or Wal-Mart shoppers put Kodak as No. 1., but Target shoppers gave the edge to Canon. Minolta was third among Target shoppers followed by Pentax, Nikon and Olympus.

Nearly a third of Kmart shoppers said they look for Kodak photo and camera supplies, the largest endorsement of a brand in this category, followed by Canon, which edged out Minolta for second, Pentax in fourth and Nikon in fifth.

Kodak was No. 1 among Wal-Mart shoppers but Minolta edged out Canon for the No. 2 spot, followed by Pentax in fourth and Nikon in fifth.

Film Consumers Demand Top Brands; Kodak Dominates

While brand preferences always have some impact on buying decisions, in no other category was it so clear than with film brands.

So clear, in fact, that the category had the highest degree of brand preference of all categories in *DSN*'s Top Brands Consumer Survey, with 99% of discount store shoppers stating that they have a particular brand in mind when they shop.

Besides having a brand in mind when they went into the store to shop, seven out of 10 consumers were confident that they would find what they were looking for when they shopped.

And most often, that brand was Kodak.

On a chain by chain basis, Kodak led across the board with nine out of 10 consumers naming it as a preferred brand in film at both Kmart and Wal-Mart and a little more than eight out of 10 consumers naming it as a preferred brand at Target.

Kodak's dominance with consumers is further illustrated when comparing it to the second and third preferred brands, Fuji and Polaroid, respectively.

Fuji was preferred by 12% of shoppers overall with the same amount of consumers naming it as a favorite brand at Wal-Mart, Kmart and Target. Polaroid was preferred by a very small number of consumers. Rounding out the list was Scotch/3M, Duracell, Sony, Canon, Eveready and private label brands all which got a smattering of mentions.

Preference for private label brands, while big in categories like hardware and ladies' apparel, was only mentioned by 1% of consumers.

The 1% of consumers who said that they buy private label may be deceiving because many times consumers go into the store wanting to buy a brand name but when they compare prices, they decide to buy the private label brand instead.

Film: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Kodak	90%	90%	91%	86%	1
Fuji	12	11	12	12	3
Polaroid	4	4	4	4	2
Scotch/3M	1	1	1	1	4
Duracell	1	1	0	1	6
Sony	0	0	1	0	—
Canon	0	0	0	0	7
Eveready	0	0	0	1	—
Other	1	2	2	1	—
Store Brand/Private Label	1	1	1	2	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Less Brand Loyal

When consumers were asked the question, "If you didn't find the brand you wanted, would you be likely to buy another brand instead or skip making the purchase at this store?" four out of 10 said they would be willing to switch brands. It seems that consumers who buy film are less brand loyal than the three out of 10 consumers in the photo, camera category who said that they would switch brands if they didn't find what they wanted.

This in part might be attributed to the fact that many times film is bought on an as needed basis and consumers can't wait until a retailer gets the brand they want. They give much more thought to higher-ticket items like cameras and, therefore, will wait until the brand they want is in stock.

The leading brands in consumer preference were very similar to the top brands in retail performance, based on a survey of discount store managers (see *DSN*, Oct. 5). Six brands were among the Top 10 in both surveys. Focal, a Kmart private label brand, was named only by store managers, and Sony landed only on the consumers' list.

***This prominent Kodak display** at Kmart in Southbury, Conn., reflects Kodak's top brand status among film consumers.*

TOP BRANDS: PART II

Sports Brand Preference Rises

Shoppers for sporting goods showed themselves a bit more brand conscious on this year's Top Brands Survey of consumers than they were in 1991.

And they agreed with store managers on the top three brands, Spalding, Wilson and Coleman, although they ranked Spalding No. 1, just 1.5 percentage points ahead of Wilson.

In comparison, store managers ranked Spalding a distant No. 3 behind Wilson and Coleman, suggesting that store-level support for the brand lags behind consumer preferences.

Moreover, none of the top three dominated the consumers Top 10 list, as they did on the survey of manager preferences, indicating that consumers' brand preferences still are as fragmented as they were last year.

Consumers also picked as their preferred brand three other brands that also made the manager's Top 10 list, Zebco, Remington and Rawlings, for a 60% correlation rate.

In 1991, the top three consumer choices were: Wilson, Spalding and Zebco, with Coleman No. 5.

On the 1992 survey of 368 consumers, 67% expressed a preference for a specific brand of sporting goods, up from 56% on last year's survey. A tiny percentage, 4%, said they preferred private label goods, essentially unchanged from 3% in 1991.

Consumers expressed a higher expectation of finding their favorite brand, with 35% saying that they were sure of finding it, up from 28% in 1991, but still a relatively low percentage, compared to other categories.

But a higher percentage also said that they would be willing to switch to another brand if their favorite brand was not available, 46%, against 39% in 1991.

***Wilson brand products,** shown here at Kmart, Southbury, Conn., ranked high in both consumer preference and store level performance.*

Of the two thirds of consumers who expressed a brand preference, 17.1% named Spalding, 15.5% Wilson, and 7.5% Coleman.

In contrast, 52% of store managers named Wilson as one of their top performing brands, followed by 47% who cited Coleman. And support among store managers for Spalding held at last year's level, 30%.

Those who shopped at Wal-Mart during the past year prefer Wilson by a few more percentage points, than do Kmart and Target shoppers.

But consumer preference for Spalding and Coleman was virtually identical among shoppers at all of the Big Three.

As in 1991, the other seven brands that filled out the Top 10 list were clustered in such a narrow range of consumer preference, 3.7% to 6.3, that distinctions between them are minimal.

On the consumer preference list, two athletic shoe brands made the Top 10. Nike, which the Big Three discount chains can't get direct, got 6.3% of consumer brand choices, for a No.4 spot, while Reebok garnered 4.4% for the No. 8 slot.

Two ball brands also made the consumer preference list, Titleist (golf), No. 7 and 5%, and Penn (tennis), No. 10 and 3.7%.

Rounding out the Top 10 list were: Zebco, No. 5 and 6.0% and Rawlings, No. 9 and 4.1%.

Thanks to vigorous support from retailers, Wilson performed well on the power brand rankings, moving up to No. 14 out of 37 discount brands in all categories.

In a rating that measures combined support from both retailers and consumers, Wilson got an index rating of 230 on a scale where 100 is normal support.

Spalding got an index rating of 187, but Coleman, lacking strong support from consumers, failed to make the cutoff index of 110 to qualify as a power brand.

Sporting Goods: Consumer Brand Preference

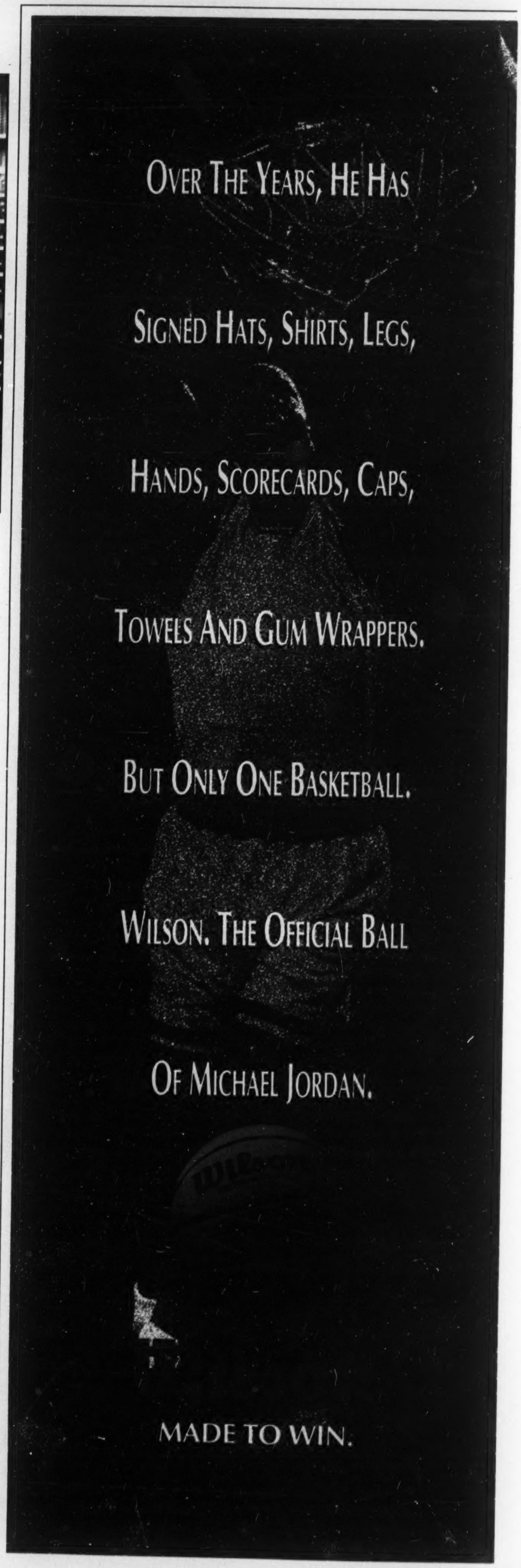
(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Spalding	17%	17%	17%	17%	3
Wilson	16	20	15	18	1
Coleman	8	7	7	7	2
Nike	6	5	6	6	—
Zebco	6	9	6	3	4
Remington	6	8	5	5	9
Titleist	5	5	6	6	—
Reebok	4	3	4	7	—
Rawlings	4	3	5	3	8
Penn	4	4	5	3	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.



TOP BRANDS: PART II

Pennzoil Revs Up in Automotives

Quaker State, which led the 1991 Top 10 list of brands that discount store consumers prefer, fell to fifth place on the '92 survey, while Pennzoil picked up a bit of support to capture the No. 1 spot.

And Havoline has yet to register as well with consumers as it does with store managers.

Only 5% of consumers named Havoline as their preferred brand to place it No. 7 on the Top 10 list. In comparison, 37% of store managers named it as one of their top performing brands, placing it No. 2 on their list.

Consumers continued to register their strong preferences for branded automotive products, with 80% expressing a brand preference, compared to 67% for sporting goods and 59% for hardware.

At the same time, a substantial percentage, 15.3%, said they preferred a private label product, about half the 31% for hardware, but far above the 4% for sporting goods.

Consumer confidence in finding their favorite automotive brands jumped this year, with 54% of those surveyed saying they were sure of being able to find their favorite brands from 41% last year.

About 47% said they would switch to another brand.

Despite differences in relative rankings, nine automotive brands made both the consumer and store managers' Top 10 lists: Pennzoil, Fram, Vavoline, Castrol, Quaker State, Turtle Wax, Havoline and Mobil and AC-Delco, which tied for No. 10 on the store managers' list.

The exception was Armor All, which made the consumer preference list but dropped off the store manager's Top 10 list of brands they consider their top performers.

Pennzoil, which virtually

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Automotives: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Pennzoil	21%	24%	22%	28%	1
Fram	14	16	15	16	3
Valvoline	13	12	11	19	6
Castrol/Castroil	12	11	12	12	8
Quaker State	11	11	12	10	4
Armor All	8	9	9	8	—
Turtle Wax	7	5	7	8	9
Havoline	5	7	7	2	2
AC Delco	4	4	5	2	—
Mobil	4	5	3	3	10

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Stanley, B&D Nail Most Support

Stanley and Black & Decker continue to vie for top ranking on the consumer survey of preferred brands, drawing to a virtual dead heat this year. And they continue to dominate the category, each drawing three times as much expression of consumer preference as the brand holding the No. 3 spot, General Electric.

In power brand standings, Stanley drew an index ranking of 330, No. 5 among all 37 power brands, compared to 320 for Black & Decker.

The power brand standing is a combined index of acceptance among both retailers and consumers, where 100 is the average acceptance. With indexes of more than 300, both Stanley and B&D thus have won three times the normal acceptance for a discount store brand.

Moreover, the last seven brands on the Top 10 list drew only 1% to 5% of consumer preferences, including four last place ties of 1%. Given the survey's margin of error of plus or minus 3%, their relative rankings on the Top 10 are statistically shaky, although, of course, they did make the list.

An explanation for the scant support given most brands on the Top 10 list is that almost a third of consumers, or 31%, said they preferred private label hardware products over brand names. That is the high-

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Hardware: Consumer Brand Preference

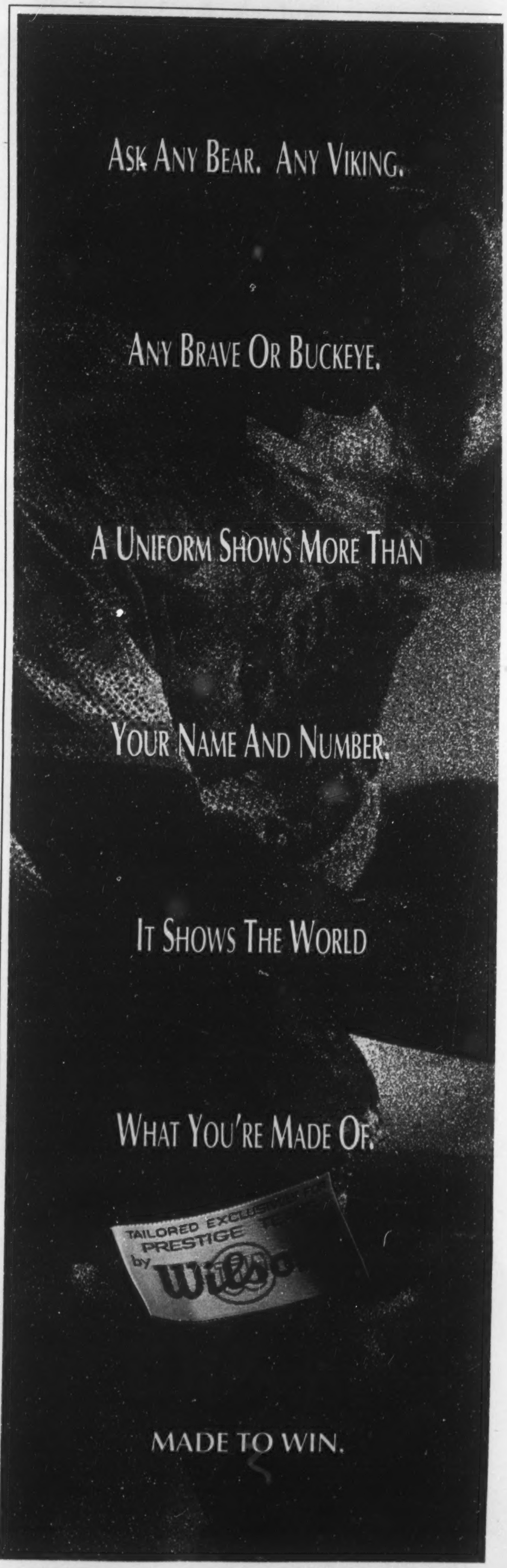
(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Stanley	22%	23%	21%	18%	2
Black & Decker	21	20	23	23	1
General Electric	7	7	7	12	4
Sherwin Williams	5	4	6	3	—
Glidden	4	6	5	5	3
Skil	3	5	3	2	5
Master	2	1	2	2	—
Benjamin Moore	2	1	1	—	—
Lucite	1	—	1	—	—
Homelite	1	1	1	2	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.



TOP BRANDS: PART II

Hallmark Caps Cards for 3rd Year

Consumers seem resigned to the fact that they cannot buy Hallmark greeting cards at discount stores, and will switch to any brand offered, but still prefer Hallmark, according to the 1992 Top Brands Survey of discount store shoppers.

For the third year, consumers repeated their preference for Hallmark cards. In fact, more consumers this year than in 1991 stated a preference for Hallmark cards than other brands.

Overall, more than three-fourths (77%) of consumers in the consumer brands survey said the greeting card brand they prefer is Hallmark, compared to 76% a year ago.

Despite this, discount store shoppers in search of Hallmark cards know they will not find them. When asked how likely they were of finding the greeting card brand they want at the discount store they shopped at most, only 37% said they were certain, among the lowest confidence rates in the survey. Twenty-three percent said they were not sure. Thirty-seven percent were sure of finding the brand they want.

Answers were measured on a scale of 1 to 9—1 meaning they are uncertain and 9 meaning they are certain—of finding the preferred brand.

On the scale, card shoppers have a mean confidence of 6.89, down from 7.66 last year.

Exactly why or how consumers came to understand that Hallmark is not available through mass market outlets is uncertain. But it appears that as recently as a year ago shoppers seemed unaware that they would not find Hallmark at their local discount store.

(Continued on page 56)

Greeting Cards: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Hallmark	77%	78%	78%	75%	5
American Greetings	16	19	16	20	1
ShoeBox	7	4	6	9	7
Ambassador	2	—	2	3	2
Forget-Me-Not	2	2	2	1	—
Sangamon	1	1	1	—	3
Other	1	—	2	—	—
Private Label	1	—	1	—	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Brand Switching Up in Stationery

For discounters, stationery shoppers are a dream come true: they want branded merchandise but are not particular about whose name is on the label.

According to results of the consumer brands survey, stationery shoppers have both the lowest preference for branded merchandise of all 22 categories and the highest willingness to switch brands.

Just 39% of this year's respondents said they have brand preferences in stationery, down from 46% a year ago.

Of shoppers surveyed, 77% said they would switch brands rather than skip a purchase, up from 72% in 1991.

Obviously, the needs of stationery shoppers are easily met, but not always satisfied. These consumers have brand preferences and they are less confident than a year ago about finding what they seek at their discount store.

When asked to measure their confidence in finding the brands they want on a scale of 1 to 9 with 1 meaning no confidence and 9 meaning total confidence, only 48% said 9, down from 61% last year. The overall confidence rating was 7.53 on the nine-point scale, down from 7.92 in 1991. Last year's mean confidence rating was the second highest for all merchandise categories studied. This year, stationery is ninth, tied with toys.

In addition, stationery shoppers are less interested in private label products than a year ago. Now, just 3% of the discount store consumers surveyed expressed a preference

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Stationery: Consumer Brand Preference

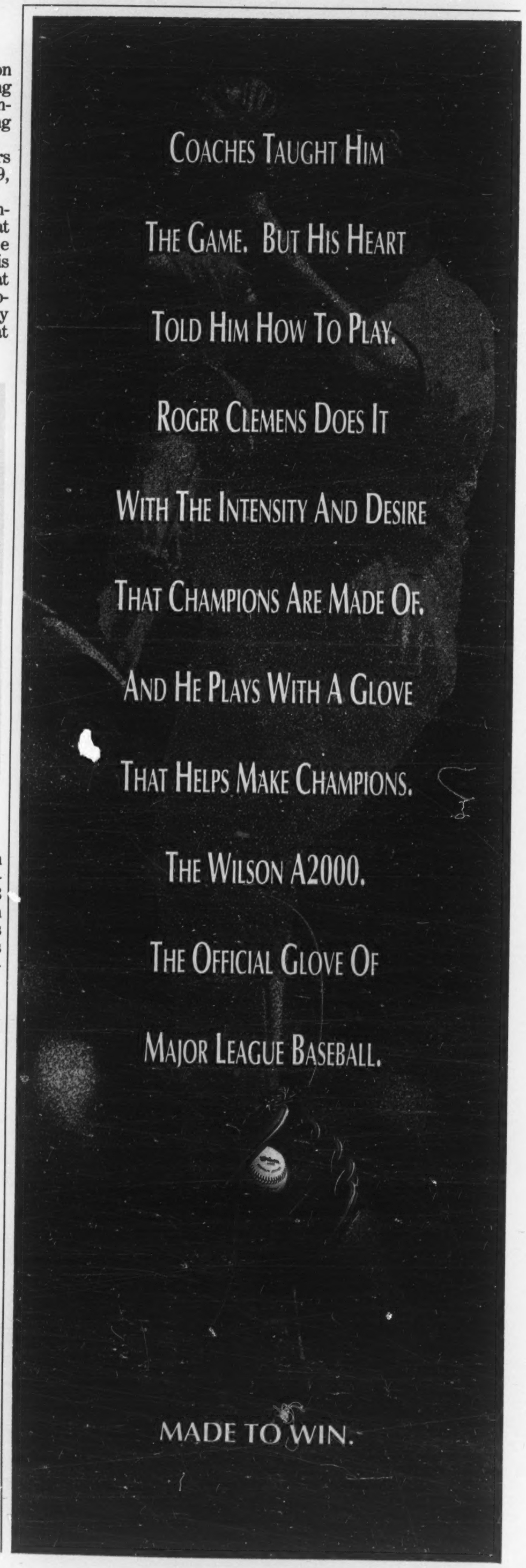
(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Mead	29%	30%	30%	33%	1
Hallmark	19	19	21	10	—
Bic	17	22	18	17	2
Papermate	5	5	6	3	3
American Greetings	5	5	5	10	—
Scotch/3M	4	5	5	7	6
Parker	4	3	—	7	9
Sangamon	3	5	3	3	—
Schaffer/Eaton	1	—	2	3	—
Scripto	1	—	2	—	—

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.


COACHES TAUGHT HIM
THE GAME. BUT HIS HEART
TOLD HIM HOW TO PLAY.
ROGER CLEMENS DOES IT
WITH THE INTENSITY AND DESIRE
THAT CHAMPIONS ARE MADE OF.
AND HE PLAYS WITH A GLOVE
THAT HELPS MAKE CHAMPIONS.
THE WILSON A2000.
THE OFFICIAL GLOVE OF
MAJOR LEAGUE BASEBALL.
MADE TO WIN.

TOP BRANDS: PART II

Colgate and Crest Shine in H&BC

As far as consumers are concerned, the top item in health & beauty care continues to mean just one type of product and a choice between two brands. The product is toothpaste and the brands are Colgate and Crest.

This year's probe of consumer shopping had Colgate in the top spot, displacing Crest, which had been No. 1 for the previous four years.

However, the difference in the overall listing for the duo is statistically insignificant, 12% for Colgate and 10% for Crest, with the two brands in a tie at 13% among Wal-Mart shoppers. There was only a three percentage point difference among Kmart and Target shoppers, with customers at the latter actually preferring Crest.

But the two products' dominance in the past few surveys masks the product and brand switching that is common in the category. All the other brands—72 were cited in the current survey—have shown up only sporadically as Top 10 performers, their standing often reflecting promotional support from manufacturers.

Such backing is vital, as H&BC continually ranks high as a department in which consumers believe they will find the brands they want. It also tends to be listed lower among the categories in which they would be willing to switch brands rather that shop elsewhere for a product.

The volatile nature of the H&BC category is evident from the eight other products that made this year's top listing. The next two brands—Gillette and Tylenol—weren't on the Top 10 list in previous years, except for Gillette's ranking as No. 5 in 1989. During the past five years, Mennen and Johnson & Johnson were listed among the Top 10 brands three times, Suave twice and Right Guard once, while White Rain is appearing for the first time on this ranking.

Consumers continually use H&BC products and the result is little statistically significant difference in the percentage preferences for the various brands and types of products that made the top listing. Overall, Gillette and Tylenol are tied at 8%, while Mennen and Dove each have a 6% preference percentage and White Rain and Right Guard are at 4%.

(Continued on page 54)

Health & Beauty Care: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Colgate	12%	13%	12%	11%	3
Crest	10	13	9	14	1
Gillette	8	7	9	5	—
Tylenol	8	6	9	7	4
Suave	7	6	6	5	2
Mennen	6	7	5	5	—
Dove	6	5	6	11	—
White Rain	4	4	5	1	6
Right Guard	4	4	4	4	—
Johnson & Johnson	3	1	3	2	4

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.

Mattel Makes Play for No. 1 Spot

Discount store shoppers are very brand oriented when it comes to toys and more confident than last year that they'll find what they are looking for.

Three-quarters of consumers said they have a brand preference when shopping for toys, up seven percentage points from 1991. They also said they are very confident about finding specific toys on their shopping list.

In fact, when shoppers were asked to measure their confidence on a scale of 1 to 9 with 9 meaning they are most confident, 45% said they were sure they would find what they were looking for at their discount store, up from 44% in 1991.

In total, response levels produced a confidence rating of 7.53 for toys, up from 7.35 a year ago.

However, brand loyalty is a bit shaky with toy consumers. In many cases, consumers

(Continued on page 54)

Toys: Consumer Brand Preference

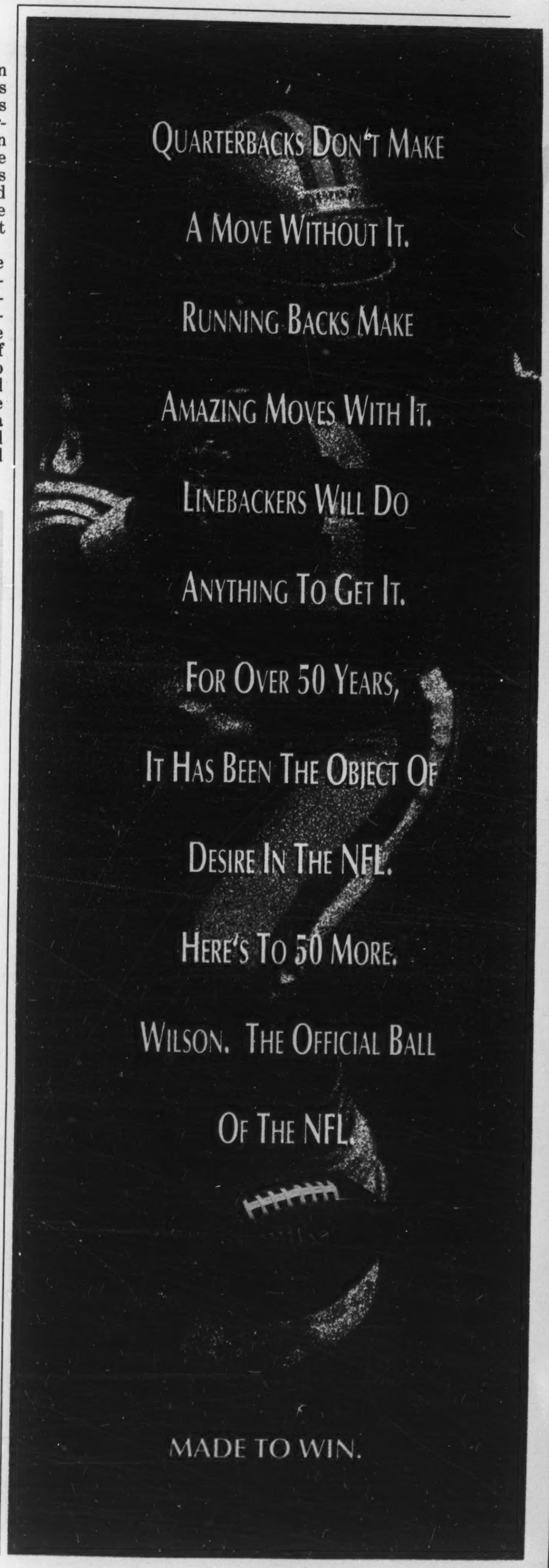
(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Mattel	29%	30%	30%	37%	2
Fisher-Price	19	22	18	25	1
Nintendo	12	12	12	17	—
Ninja Turtles	10	12	12	12	—
Parker Brothers	5	4	5	7	10
Tonka	5	7	5	5	—
Milton Bradley	5	5	4	9	5
Lego	4	4	5	5	6
Little Tikes	4	5	4	9	4
Playskool	3	1	4	3	3

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'

[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'

Source: DSN/Leo J. Shapiro & Assoc.



TOP BRANDS: PART II

Mainstays Dominate Consumers' Food Choices

Hershey's regained its hold on the top spot in the food, candy and snacks category in *DSN's* Top Brands Consumer survey after falling to No. 2 last year.

In a major change from last year's ranking, three brands, M&M/Mars, Brach's and Snickers tied for the No. 2 position. Snickers had been No. 1, while M&M/Mars had been tied for the second spot and Brach's was tied for No. 5.

Despite the changes in rankings, consumers overall retain a strong brand loyalty. Ruffles is the only brand that is new to the Top 10 listing, with all the other products having made the chart in the past. Frito-Lay, in fact, was No. 4 last year, while Lays was fifth and Nabisco was No. 10.

This year 30 different brands were cited by name. Consistency in consumer preference for food, candy and snacks denotes the strong appeal specific tastes have established. Consumers had little preference for private label candy and snacks and high expectations that they would find their specific brands in discount stores.

At the same time, shoppers continued to indicate a strong willingness to switch brands to get the type of product and taste they want. Just under six in 10 said they would switch while only 45% asserted they would skip making a purchase if they couldn't find what they wanted. Indicative of the readiness to buy some food, candy or snack, the top 10 brands are mostly clustered among a few products: chocolate candies, potato chips and snack cakes.

America's sweet tooth was responsible for four chocolate brands leading the rankings and capturing two other spots, while the desire for salty snacks enabled the two potato chip brands to each receive the same 4% preference percentage.

The listing actually contains 11 brands as there was a five-way tie for the seventh.

Despite close percentages, significant changes occurred. Snickers was the dominant brand last year, with twice the preference rating of the No. 2 product, Hershey. Planters, Milky Way and Ruffles weren't on the list and Brach's moved up to tie for No. 2.

While consumers indicated a strong preference for a brand—the overall figure was 84%—the percentage varied among shoppers at the major discounters. It was highest at Kmart, 86%, followed by Target, 83%, and then 80% at Wal-Mart.

The major difference between the overall standing and the specific performance at the Big Three discounters was Little Debbie snack cakes. It was in a five-way tie for No. 7 on the overall ranking but showed up higher at Wal-Mart, tied for No. 5.

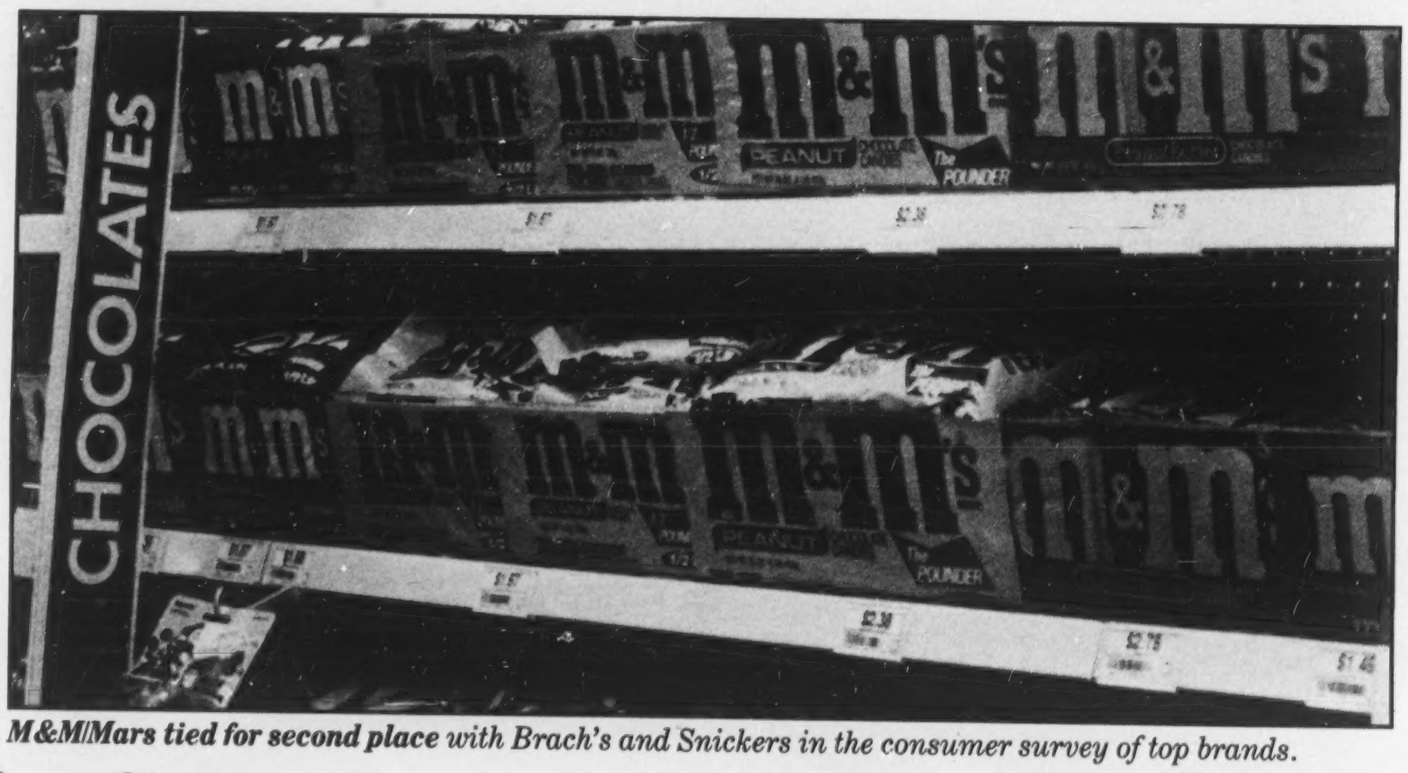
Missing from this year's chart are two brands that made last year's listing: Keebler, which was No. 7, and Reese's, which was No. 10.

Food, Candy, Snacks: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Hershey's	11%	10%	12%	12%	2
M&M/Mars	8	9	8	8	1
Brach's	8	9	8	9	—
Snickers	8	9	7	7	9
Planters	6	7	6	7	7
Lays	6	7	6	4	—
Milky Way	4	4	5	4	—
Ruffles	4	4	5	4	—
Frito-Lay	4	3	3	5	3
Nabisco	4	5	4	4	4
Little Debbie	4	7	4	5	6

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'
[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'
Source: DSN/Leo J. Shapiro & Assoc.



***M&M/Mars tied for second place** with Brach's and Snickers in the consumer survey of top brands.*

Brand Preference High in Colas; Lower in Other Beverages

Cola carbonated drinks, as expected, were consumers' favorite beverage and dominated the category, one of three new classifications added to *DSN's* Top Brands Consumer survey this year. Beverages were added as part of *DSN*'s exclusive survey of the nation's major brands as reported by discount store shoppers.

Coke and Pepsi, in that order led the listing of the new beverage category which, overall, contained a variety of carbonated and non-carbonated drinks. In past surveys, beverages had been listed as part of the foods, candy and snacks category.

The 10 leading beverages are made up of seven carbonated drinks and three non-carbonated beverages: one juice, one sports drink and one children's drink. In all, 15 different products were cited by name.

Coke's and Pepsi's dominant standing among all consumers—55% cited the former and 43% the latter—was mirrored by those shopping at Wal-Mart and Kmart. Target customers preferred Coke by a wider margin, 57%, as against the 38% who cited Pepsi. The bottom line is that each of these cola sodas was cited by about half of all consumers, while the best percentage any other drink could garner was in the single digit.

The two colas strong showing testifies to the promotional support each receives—cola beverages are among the nation's most advertised products—and the consumer appeal that results from this effort.

By comparison to consumer preference for colas, shopper interest in other beverages is flat. Among all discount store customers, 7-Up and Dr. Pepper—each of which is specifically marketed as an alternative to cola drinks—were the beverages capturing the next largest citation, 6% of the consumers surveyed, with even fewer mentions for other brands.

The more interesting differences in the performance of the top 10 brands can be found in how the beverage category is viewed by consumers and by store managers, who were the subject of the previous Top Brands report.

Of the 10 beverages mentioned by consumers, only six were cited by store managers as among their best performing brands, and the standing of those noted were much lower than the consumer rankings. 7-Up tied with Dr. Pepper for the third spot on the consumer tracking, was No. 9 on the store managers' listing and Dr. Pepper didn't make the managers' Top 10.

Gatorade's status was similar in both trackings, No. 7 among consumers and No. 5 among managers. Kool-Aid and Hi-C were at the bottom of the consumers' ranking but were Nos. 7 and 4, respectively, among managers.

Besides Dr. Pepper, Sprite, Mountain Dew and Canada Dry didn't show up among the managers' Top 10. Instead, the managers cited Ocean Spray, Sam's American Choice (a Wal-Mart private label), RC and Welch's, four beverages that didn't show up as major brands for consumers.

Beverages: Consumer Brand Preference

(Among consumers who shopped discount stores in past year)

Top Brands[1]	All Discount Stores	Wal-Mart	Kmart	Target	Rank By Store Managers[2]
Coke	55%	58%	55%	57%	2
Pepsi	43	44	43	39	1
7-Up	6	4	7	6	9
Dr. Pepper	6	8	6	7	—
Sprite	5	8	6	6	—
Mountain Dew	4	4	4	2	—
Gatorade	3	3	3	2	5
Canada Dry	2	1	3	1	—
Kool-Aid	2	1	2	1	7
Hi-C	1	2	1	1	4

[1]Based upon discount store consumers' response to the question: 'If you were shopping for (product) in discount department stores, which brand of that product would you want?'
[2]Based upon store managers' response to the question: 'What are your best performing brands in (department)?'
Source: DSN/Leo J. Shapiro & Assoc.

TOP BRANDS: PART II

Stanley, Black & Decker Head Hardware List

(Continued from page 45)
est proportion of all 21 merchandise categories, with automotives and women's apparel trailing at 15%.

At the same time, 59% of consumers expressed a brand preference, up from 52% in '91.

Consumers' confidence in finding their favorite hardware brand in the store continued to erode from the 37% who said in 1988 they were sure to find it. The percentage slipped to 22% in 1992 from 26% in 1991 and 31% in 1990.

Six out of 10 consumers said they would walk out of the store if it failed to stock their favorite brand, while the other four said they would switch to another.

Of 130 consumers who named a preferred hardware brand, 22% cited Stanley, compared to 21% last year. B&D came in a close second, with 21% of consumers citing it as their favorite brand, up from 17% in 1991.

Support for Stanley was a bit weaker among Target shoppers than with Wal-Mart and Kmart customers, while B&D was a bit weaker at Wal-Mart.

GE took the No. 3 spot on the Top 10 chart with 7%.

Two paint brands that don't normally appear in discount stores, Sherwin Williams and Benjamin Moore, made the Top 10 list this year. About 5% of consumers named Sherwin Williams as their preferred brand, ranking it No. 4, while 1% named Benjamin Moore, locking it in a four-way tie for last place with Masterlock, Lucite and Homelite.

Homelite has been trying to break into discount channels of distribution. Consumers continue to hold some affection for the Lucite name, although efforts of PPG, which purchased the brand two years ago, to resurrect the brand name in discounting have yet to make their mark in the thinking of store managers.

A surprising disappearance from the list was Dutch Boy, which had gotten 4% of the consumer preferred brand citations in '91 and drew 9% of the top brand mentions from store managers this year.

Glidden and Skil again reappeared on the consumer preferred list, with 4% and 3%, respectively, of consumers giving it their nod.

On the upper half of the list, all five of brands that store managers named as their top performers also made it onto the consumer preference list: Black & Decker, Stanley, Glidden, GE and Skil.

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APEX GARDEN HOSE

Pennzoil, Fram Zoom to Top of Automotives List

(Continued from page 45)
tied with Quaker State for top honors last year, picked up a bit of support to garner 21% of the preferred brand rankings of consumers, compared to 19% in '92. Pennzoil thus has captured the top spot four of the last five years.

Conversely, Quaker State's standing dropped, with 11% of consumers citing it as their preferred brand, down from 20% last year.

Because more consumers split their preferred brand votes, Fram moved up to the No. 2 spot from No. 3 last year, even though only 14% of consumers named it their preferred brand this year, compared to 18% in '91.

Pennzoil thus widened the gap between its leading position and the rest of the field.

Mobil was a newcomer to this consumer list this year, as it was to the store managers' list, gaining 4% of preferred brand citations.

Motor oil brands accounted for seven out of the Top 10 brands, while Fram, noted for oil filters, accounted for an oil-related brand on the Top 10.

Only one hard parts manufacturer, AC-Delco, scored as a top brand among consumers, as it also did on the store managers' list of top brands.

Pennzoil also performed well on the power brand rating, winning an index rating of 207 on a scale where 100 equals normal acceptance of a brand among both retailers and consumers.

The other oil brands on the list of 37 power brands were: Valvoline, 122, and Quaker State, 120. Fram filters won an index rating of 135 on the power brands side of the survey.

TOP BRANDS: PART II

Consumers Play Favorites: Mattel is No. 1

(Continued from page 49)
aren't looking for a specific brand as much as a particular toy. As a result, less than half, 46%, would switch brands if they couldn't find what they were looking for, the same response as last year.

Conversely, 54% said they would skip the purchase if their brand was unavailable.

They would not choose a private label toy. Just 3% expressed a preference for private label toys, among the lowest rates in the survey.

This year, consumers said the toy brand they look for most is Mattel, the same as in 1991. Store managers, however, said their top performing toy brand is Fisher-Price, No. 2 with consumers.

Overall, seven top toy brands appeared on both the consumer and store manager top brands lists.

The biggest difference between the two lists is that Hasbro, a giant toy manufacturer whose labels include Playskool, Milton Bradley, Parker Brothers and Tonka, was mentioned by few consumers as a brand they seek. It ranked 14th among the top toy brands.

Also, Nintendo, associated by many retailers as a CE product, and Ninja Turtles, which fell off the managers' list, both received enough mentions to make the Top 10 consumer list.

Overall, the number of mentions for each toy brand named by consumers as one they seek was very small. Mattel, at the top, was mentioned by fewer than one in three consumers. Fisher-Price was mentioned by one in five shoppers.

The low mention rate persisted at the three major discount chains. Target shoppers were the most enthusiastic about the toy brands, with nearly four in 10 naming Mattel as a brand to look for, and a quarter naming Fisher-Price.

Colgate, Crest Lead H&BC List

(Continued from page 49)
The overall standings, with few exceptions, are similar to the rankings at Wal-Mart, Kmart and Target. The major differences are Dove, No. 7 overall and at Wal-Mart, tied for fifth at Kmart, but No. 3 at Target. White Rain is eighth overall, tied for that spot at Wal-Mart, and tied for seventh at Kmart, but last at Target.

Six of the Top 10 brands were mentioned by store managers as top performers, with the two toothpastes as Nos. 3 and 1 on their list. But store managers didn't cite Gillette, No. 3 among consumers, as well as Mennen, Dove and Right Guard, while mentioning Listerine, Clairol, Proctor & Gamble and Aqua Net.

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Furniture Show	Mar. 9-12
Construction Show	Mar. 17-21
TIMTOS '93 (Int'l Machine Tool Show)	Mar. 27-Apr. 1
Flower Show	Apr. 10-14
Leather Goods Show	Apr. 20-23
Sporting Goods Show	Apr. 20-23
Cycle Show	Apr. 28-May 1
Auto & Motorcycle Parts & Accessories Show	May 6-9
TIDEX '93 (Int'l Design Exhibition)	May 23-26
COMPUTEX Taipei (Int'l Computer Show)	June 1-5
Computer Applications Show	Aug. 7-11
Aerospace Technology Exhibition	Aug. 19-22
World Fishing Exhibition Taipei '93	Aug. 30-Sept. 3
PACK (Int'l Packaging Machinery & Materials Show)	Sept. 9-13
Jewelry & Timepiece Show	Sept. 17-20
Toy Show	Sept. 26-29
Electronics Show	Oct. 5-10
Woodworking Machinery Show	Oct. 15-19
PLAS (Int'l Plastics & Rubber Industry Show)	Oct. 25-29
Gift & Stationery Autumn Show	Nov. 4-7
Medical Equipment & Pharmaceuticals Show	Nov. 12-14
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TOP BRANDS: PART II

Brand Switching Very High in Stationery

(Continued from page 47)

for private label stationery, down from 15% a year ago. Conversely, 31% said they look for a stationery label other than those in the Top 10.

Among shoppers at particular discounters, just 3.2% of those people who identified themselves as frequent Kmart shoppers expressed any interest at all in private label or store brand stationery products.

Overall, Mead was the No. 1 stationery brand among consumers, the same ranking it achieved in *DSN's* companion survey of store managers' best performing brands. Last year's No. 1, Bic, fell to the No. 3 spot behind Hallmark—not sold by discounters—which moved up from fourth to second with a response rate that tripled. Consumers named Bic as a brand they seek out only half as often this year as they did in 1991.

Target shoppers were most enthusiastic about Mead. One-third said Mead is a brand they look for, followed by Bic. Hallmark and American Greetings tied for third; Scotch/3M and Parker tied for fifth.

Hallmark was third among frequent Wal-Mart shoppers, behind Mead and Bic, followed by a tie for fourth by Papermate, American Greetings, Scotch/3M and Sangamon.

For Kmart shoppers, Hallmark is second to Mead and Bic third.

An interesting result: Schaeffer/Eaton, long since separated from one another, was part of a six-way tie for ninth, due to a good percentage of responses from Kmart and Target shoppers.

American Greetings No. 2 in Cards

(Continued from page 47)

Despite all this, discount store shoppers do buy greeting cards. Since they can't find Hallmark, they buy whatever their discounter offers.

More than two-thirds (67%) of survey respondents said they would switch brands if they couldn't find the one they were looking for, up five percentage points from 1991. Last year, 62% said they would switch brands.

This year, consumers named six greeting card labels as brands they look for. Gibson, No. 6 last year, dropped off the list completely, Forget-Me-Not, an American Greetings line, moved onto the list, mentioned often enough to put it in the No. 5 spot, and Sangamon, No. 3 last year, fell to the No. 6 spot, due mostly to responses by people who called themselves frequent Wal-Mart shoppers.

Once again, American Greetings was the No. 2 choice for greeting cards, with its strongest showing at Target, where 20% of shoppers said they look for the brand, vs. 16% for Kmart shoppers and 19% for Wal-Mart shoppers.

ShoeBox Greetings, a Hallmark line, was third, followed by Ambassador, Forget-Me-Not and Sangamon.

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Price Club Opens Membership in Select Markets

(Continued from page 1)
qualifications or a short period of time."

Price Club's membership is usually restricted to business managers or owners; city, state and federal government employees; bank, savings and loan, airline or hospital employees; retirees and credit union members.

The mass mailing has had the desired effect, said Sherman Ryan, warehouse manager, Albuquerque Price Club. But he wouldn't release the number of new members obtained through the special offer.

Although Konecky said the mailing has been used in other markets for the past year, she wouldn't identify which ones. She said that the brochures were sent out to a specific marketing target, although she wouldn't elaborate. She also wouldn't release the reasons for the special promotion.

But Marcus Detlor, marketing manager for Pace Membership Warehouse in Albuquerque, has a good idea. Pace opened its 110,000-sq.-ft. Albuquerque store in May, taking away Price Club's eight-year monopoly, Detlor said.

"We've eroded their membership base," Detlor said. "By loosening up their membership policy, they're matching our existing policies."

In 1991, the 132,000-sq.-ft. Price Club in Albuquerque had sales of more than $100 million and more than 50,000 members in New Mexico. Detlor said he believes Pace has since lured away some of those members.

Detlor said he believes Price Club's membership applications went out to people in the two stores' five mile overlap area—namely the upper-middle class Northeast side of town.

Price Club has been taking measures to compete against its fast-growing rivals for a number of years. Following a nationwide trend, Price expanded its Albuquerque club, adding a bakery, a large fresh meat department and increased produce offerings. The club plans to further expand its meat department within the next year, said an employee. The new Pace opened with fresh meat, baked goods and fresh produce.

Among the additions Price Club has made over the past few years to many of its stores are computer technology centers, optical centers, and photo processing, Konecky said. The club also began scanning at the checkout.

Price Club is also offering special services in some cities as competition grows.

In markets like Denver, Phoenix, Los Angeles and San Diego, shoppers who purchase office supplies can now have them delivered. For orders under $250, the charge is $20. There is no delivery charge for orders above $250. Konecky said this service has been available for about two years.

Some observers believe this new service is in response to competition from stores like Office Depot and BizMart.

Retail analysts say what is happening at Price Club will become more commonplace with the entire industry. Chains that were once regional chains are spreading geographically and offering "dominant" chains a major threat, said Sandra Shaber, a retail analyst with the WEFA Group.

"They're constantly having to look over their shoulder to see who is gaining on them," Shaber said.

In the past, Price Club may have been complacent because it felt its operation was so superior to its competitors, said Chris Vroom, a retail analyst with Alex, Brown & Sons.

Because of increased competition, Vroom said many stores aren't generating the capacity they could be. While the average store generates $55 million in sales, their maximum potential is $250 million.

"While I couldn't expect every unit in the country to get up to that level, there is room for higher unit sales volume," Vroom said.

One way for Price Co. to achieve that, Vroom said, is to expand its market base, moving away from its emphasis on the business customer. In Albuquerque, 60% of Price Club's business has come from the business sector.

"Price's efforts to relax memberships seem to be an effort to become more retail oriented," Vroom said.

Catalog Showroom's New Flagship Pumps Up Service

(Continued from page 5)
dogs and other goodies.

- A dedicated person has been hired to serve as a gift consultant. Service Merchandise has been successful with its gift registry program in other stores and has designated space in the new unit where customers can speak to a store employee. "Our stores in the Detroit area do especially well with the gift registry program, so they will probably be among the roughly 72 stores that will feature a gift registry area," Winnett said.
- Wrapping and shipping services are being offered to customers. "This is something our customers have been telling us they wanted for a long time," said Zimmerman. According to Winnett, a wrapping desk was tested years ago, but proved unsuccessful. This time, the paper selection was limited to about four different patterns, an easier format for stores to manage. The wrapping and shipping service complements the gift registry.
- Sporting goods services have been added. Shoppers can have holes drilled in their bowling ball and their tennis rackets re-strung at the new store. Hunters and fishermen can apply for hunting and fishing licenses. According to Winnett, sporting goods was one area that benefitted from increased floor space in the new store.
- Silent Sam, its electronic in-store ordering system, now allows customers not only to order merchandise, but to pull through their credit cards by themselves. There are six computers throughout the store. According to Winnett, the credit card application to Silent Sam has been tested in a handful of other Service Merchandise units. New in this flagship is a service button located next to the computers. When pressed, a prerecorded voice calls an employee to the area.
- A dedicated product demonstration area has been made part of the housewares department. "This is something I've pushed for since I got here in 1980," Winnett noted.

Zimmerman said that Service has weathered the recessionary storms well.

"I thought that people would be trading way down, but we're holding our own," he said. Zimmerman said the company learned its lessons in the early '80s. "We began bringing in different merchandise at lower prices, but we found it took us a while to get back our original customer. We do well when we tend to our own knitting."

For the first half of 1992, sales increased 6.7% to $1.4 billion. Comparable store sales for the period were up 2.6%.

For the same period, the company reported a net loss of $3.5 million, down from $7.8 million for the time frame a year earlier.

Service Merchandise currently has 364 stores in 36 states. It also operates a Kids Central USA, a children's store in Pharr, Texas, with a second due to open in Franklin, Tenn., in November.

NHMA Takes a Technology Tack

(Continued on from page 7)
and the other association boards are expected to do likewise, Conley said.

John Avampato, manager, business systems for Newell Co., and chairman, NHMA Technology Task Force, said the trade association alliance is designed to help different industries know what each is doing in the technology arena, develop consistent standards, connect with retailers and "let them know what are our concerns and advance the growth of EDI and other technologies."

He said one example of concern is the development of shipping container standards. Manufacturers and retailers wanted the carton label to include different information. One label format was finally devised after discussions between suppliers and retailers.

NHMA's technology endeavors in 1993 include a seminar at the January Housewares Show to detail what companies should be doing to support EDI. The speakers at the seminar, to be held Jan. 11, will be Dave Hough of Advantis, the voice and data network joint venture that Sears and IBM set up in August, and Lance Daily of the Sears Merchandising Group.

NHMA plans to hold technology workshops on an annual basis, with the next one planned for spring '93.

The association is cosponsoring a Value-Added Network (VAN) Services survey. Based on the findings, NHMA could try and arrange for members to purchase service on one VAN that would result in lower costs for the connection service to retailers.

The association's drive to educate members on EDI and other technologies was brought home by Paul Singer, Target's vice president, marketing operations, who delivered the keynote address.

He said EDI provides manufacturers with a host of benefits. He cited increasing sales and profits, developing closer ties to retailers and consumers and learning what is actually selling in the marketplace, and consolidation of a plant's workload through better production planning and ordering of raw materials.

Implementing technologies like EDI leads to developing partnerships with customers (retailers) and suppliers and a focus on long-term business strategies, rather than short-term tactics.

"Time is of the essence to take advantage of technology," he said, adding that technology will help great companies get even stronger, aid average companies to become great and give troubled companies an assist in avoiding further problems and even bankruptcy.

Most companies are average, he said, "and they can become great through technology or else they will go out of business."

Exclusively H&BA Highlights Quest for Fountain of Youth

(Continued from page 7)

A secondary trend evident at Exclusively H&BA was bath products.

Aromatic gels and beads, bubble baths and bath accessories like sponges and brushes are becoming an important business at discount stores. Target and Kmart carry an extensive line of Sarah Michael products and accessories.

Brenda Wagner, national sales manager, Sinclair & Valentine, noted that its Aromatherapaes line of products (including a Stress Reducing Spa Bath) is currently featured at Fred Meyer, Venture and F&M.

Trends notwithstanding, the single most talked about product at the show was Surprise Shampoo, a shampoo for kids aged 5 to 13. Produced by Abundance Hair Care, Surprise delivers what its name implies. Each bottle of shampoo comes with a small prize. While the majority of bottles will have small plastic cars and tiny action figures as the surprise toy, one in every 250 bottles will feature a genuine 18 karat gold bar. According to David Agami, creator of Surprise, it is a concept both kids and parents could love.

DISCOUNT STORE NEWS

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Sears' Retail Future Still Uncertain

(Continued from page 1)
as a move to bring in "new blood" by retail analysts and trade observers (see *DSN*, Sept. 21, page 4). Martinez, at that time, said he would need at least three or four months to study the retailer and develop plans to improve its operation.

Trade observers wondered why investors, suppliers and consumers should believe that Sears' core merchandising business could be any more successful than the current diversified corporation.

The company's attitude is that it's too early to discuss the divestiture effect on plans for its retailing business but in corporate chairman and ceo Edward A. Brennan's words, "we will be working hard to build on [the] base" embarked in the new marketing and merchandising programs of the last two years. These efforts include cutting 48,000 jobs, reducing annual costs by about $1 billion, streamlining the retail management structure, rolling out power formats and introducing a "pure selling environment" to improve customer service.

The divesture entails:

- Selling in a public or private transaction the Coldwell Banker Residential Service business, with an offering memorandum issued in the fourth quarter. The Homart Development Co., which builds and owns shopping centers, will be retained.
- Selling through an IPO in the first quarter of 1993 up to a 20% minority interest in the Dean Witter Financial Service Group. The remaining interest in the group, which consists of the Dean Witter Reynolds security firm and Discover Card, will be given to Sears stockholders in a tax-free spinoff later in the year.
- Selling up to a 20% stake in the Allstate Insurance Group in the next year, with Sears retaining the remaining share.

Sears didn't detail how much each step would produce, but noted that much of the $3 billion debt to be retired had come from financing the growth of the financial services business.

Sears' complicated balance sheet for 1991 included $6.7 billion in unallocated debt at the corporate level and about $11.5 billion of Merchandising Group debt. A major portion of the Merchandising Group's debt is for the profitable Sears charge card, a credit card business that is apart from the the Dean Witter Group's Discover Card.

While the planned divestiture at first was welcomed by shareholders and analysts, subsequent reaction was more muted. The general tenure was that until the deals were made, there wasn't any firm way to know how shareholders would make out.

On the merchandising front, the divestitures weren't expected to generate enough funds to make a major impact on business as little of the $3 billion-plus is seen as going for capital spending to either modernize stores or speed up the unit openings. Sears this year allocated $515 million for capital spending, while Wal-Mart planned to spend $2.8 billion and Kmart about $1.4 billion.

After the divestments, the Merchandising Group and Allstate will have to be the backbone for the scaled back company's growth, service corporate debt and provide the dividends for Sears shareholders. A growing number of shareholders have been pressing Sears to split up the company into separate merchandising and financial service corporations. Sears acknowledged that its move was in response to this pressure.

Brennan said that "our board periodically reviews the structure of Sears to ensure that we are enhancing shareholder value. Our action is a result of intensive study and will permit our shareholders to participate more directly in our financial services achievements, improve shareholder values and strengthen our balance sheet."

The decision closed a chapter in Sears' long history that goes back to the late '70s when a company planning and study team determined that its retailing future was limited and Sears had to revamp itself into a broad service business, offering consumers financial and investment services.

Caldor Launches Store for the '90s

(Continued from page 1)
rather than just the addition of raw space, is up 40% to 50%, he said, and the main beneficiaries of the bigger prototype are soft lines, with a greatly expanded domestics department and larger apparel sections.

Sight & Sound also has been expanded, and some areas, like toys, have seen slight growth.

The prototype has wider aisles, both throughout the racetrack and in key departments, particularly domestics and housewares which anchor the right and left-hand corners of the store, respectively.

Other features include a free merry-go-round at the entrance, flexible fixturing, upgraded apparel presentations, neon signage, a Disney wall in video (the first of its kind), dedicated staff in Sight & Sound, and an interactive trim-a-tree display.

While the company has upgraded its merchandise somewhat in several departments, the Bristol store features what is, on the whole, the typical Caldor mix. But the impression is far different; in children's, for instance, laying out denims on tables creates a different shopping ambiance.

Caldor hopes the prototype, which will be used in all new construction and retrofitted on an opportunistic basis, will continue the chain's recent success, which is expected to boost Caldor to the $2 billion mark by year-end. Caldor reported sales increases of nearly 11% for September, with a comp store increase of 8.2%, very impressive in the recession-wracked Northeast.

The September performance (bolstered by a late Labor Day weekend and a "very strong" Back-to-School) followed a strong second quarter, in which sales rose 12.6%, comparable store sales soared 7.6%, and net profits doubled to $4.9 million.

Balmuth added that Caldor will expand aggressively in the coming year, particularly in urban markets from Delaware north. The new store opened simultaneously with seven newly-remodeled stores in Connecticut, Massachusetts and Maryland. The 129-store chain should be closer to 150 by mid-1993, with most of the growth expected to come from relatively new markets, like metro New York, Long Island, Delaware, Maryland and Pennsylvania.

Balmuth said that he isn't worried about overstoring or the invasion by Wal-Mart.

"The discount industry is growing, and taking share away from other types of retailers," he said. "There's room for everyone."

Caldor will attempt to clearly differentiate itself from Wal-Mart. He added, "We're positioning ourselves as an upscale discounter, and we're trying to move away from basic, commodity businesses, and into the sort of businesses that have change built in. We can react quickly to fashion businesses, and that's why we're accentuating soft lines."

37 Brands Earn 'Power' Ranking

(Continued from page 1)
the top-performing brands in each merchandise category. A Power Brand has to have an index of 110 or higher in both the retailer and consumer study, where 100 is the average acceptance among the Top 10 brands by retailers and consumers.

Power Brands, ranked in order of their combined index, were led again this year by Cannon, with Kodak following right behind. Five of the new Power Brands enter the list based on new categories: Coke (third overall) and Pepsi (sixth) from Beverages; Maxell (37th) from Blank Videocassettes; and Canon (15th) and Minolta (25th) because Film was separated from Photo, Camera this year.

Despite grabbing the No. 1 Power Brands spot again this year, Cannon's PBI (Power Brand Index) dropped in 1992 (from 594 to 553) due to more competition from other brands. Kodak's PBI declined also (from 548 to 484) due to stronger competition in the Film category compared to last year's combined Photo/Camera/Film grouping. Black & Decker (No. 5) drew closer to Stanley (No. 4) due to more mentions among consumers. Mead (No. 8) and Bic (No. 23) saw shrinkage of their PBIs, as Mead received less recognition from retailers and Bic's consumer response rate fell off. Corning/Corelle's (No. 9) PBI dropped 73 points, mostly due to fewer consumer mentions. Wilson (No. 14), propelled by more retailer comments, was the biggest upward mover, and Hershey's (No. 26) also gained recognition with more mentions by consumer and retailers.

As an example of how the Power Brands Index is computed, note Stanley's PBI of 330. Among the Top 10 brands mentioned by retailers for Hardware, the average (mean) percent of retailers mentioning a Top 10 brand was 22.8%. Stanley was mentioned by 74.4%, or more than three times the average, for an index of 327. Among the 10 most preferred consumer brands in hardware, the average (mean) was 6.7%. Stanley, with a consumer preference of 22.3%, had a consumer index of 333. Stanley's PBI is the average of its retailer and consumer index.

A group of brands just missed the cutoff of 110 PBI to make the Power Brands list. These brands' exceed the 110 index with retailers or with consumers, but not with both. In other words, these "Near" Power Brands have a weakness either among retailers, who don't think the brand performs as well as its rivals, or among consumers, who don't prefer it as much as other brands. Some "Near" Power Brands include: American Greetings (weakness with consumer), Coleman (weakness with consumer), Colgate (weakness with retailer), Memorex (weakness with retailer) and Norelco (weakness with retailer).

Power Brands of Discount Retailing

Brand	Index[1]	Brand	Index[1]
Cannon	553	Revlon	211
Kodak[2]	484	Fisher-Price	210
Coke	361	Pennzoil	207
Stanley	330	Cover Girl	204
Black & Decker	320	Bic	198
Pepsi	319	Spalding	187
Rubbermaid	314	Minolta	176
Mead	308	Hershey's	167
Corning/Corelle/ Visions	306	Libbey	166
		Fruit of the Loom	166
Tide	281	Crest	157
Maybelline	262	Vidal Sassoon	146
Conair	253	Fram	135
Mattel	246	Lee[4]	131
Wilson	230	M&M's	125
Canon	218	Valvoline	122
Gitano	217	Clairol	121
Sony[3]	215	Quaker State	120
Hanes[4]	213	Maxell	116

[1]Index: 100 equals the average acceptance among the Top 10 brands by retailers and consumers.
[2]Kodak is a power brand in three categories: Film, Photo/Camera and Blank Videocassettes.
[3]Sony is a power brand in two categories: Consumer Electronics and Blank Videocassettes.
[4]Hanes and Lee are each power brands in two categories: Men's and Women's Apparel.
Source: DSN/Leo J. Shapiro & Assoc.

Learning Lessons From Kids Central

(Continued from page 5)
dren: nursing chairs for mothers, juvenile furniture, even baby food. "I told my buyers to buy everything made," said Zimmerman, adding that "if we don't have it, you don't need it."

Kids Central is being run separately from Service Merchandise and currently has 15 employees on staff. Among the things that are working in the new format is Grandma's Corner, an area featuring baby jewelry and other gift items. "It's amazing how well children's jewelry does," said Zimmerman.

Kids Central is also utilizing a gift registry service, a concept that has been extremely successful at Service Merchandise stores.

The apparel selection at Kids Central includes a wide range of brands, including upper-end labels like Baby Guess and Baby Dior. Zimmerman expects a filtering out of certain brands from all product categories as shoppers vote by purchase. Ultimately, he expects a smaller store for the concept when the company does open its third unit.

"We're excited about it, but we don't want to roll out stores before we can really handle the growth," Zimmerman said.